



Daily Report

East Asia

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IAEA: Sealing of DPRK Fuel Rods Delayed
*SK0511025595 Seoul TONG-A ILBO in Korean
5 Nov 95 p 2*

[Report by Kim Yong-hui from Bonn]

[FBIS Translated Text] An International Atomic Energy Agency [IAEA] source stated on 3 November that the measurement and sealing of the spent fuel rods from the five-megawatt reactor in Yongbyon, North Korea, has been delayed because of radioactive contamination of the tank in which the fuel rods have been stored.

This source stated: "The tank in which the 8,000-odd spent fuel rods have been stored for almost a year and a half, since May of last year, is unapproachable because radioactive contamination has reached dangerous levels."

He added: Therefore, U.S. technicians who have been staying in North Korea to do the sealing are now engaged in preparatory work to chemically purify and treat the contaminated liquid in the tank. The sealing can begin toward the end of this month.

However, he refused to comment on how dangerous the contamination was.

North Korea had originally planned to begin the sealing in October in order to place the spent fuel rods in dry storage and allow the IAEA to measure the rods to see whether "all of them have been spent as North Korea insists."

In the belief that such measurements are essential to the verification of North Korea's nuclear past, the IAEA had planned to have two of its inspectors at Yongbyon measure all 8,000-odd fuel rods.

DPRK Demands KEDO Payment for Surveys
*SK0611014695 Seoul SEOUL SINMUN in Korean
6 Nov 95 p 2*

[Report by Yi To-un]

[FBIS Translated Text] A survey team from the Korea Energy Development Organization [KEDO] visited North Korea from 24 October to 4 November and conducted a second survey to select an adequate site for the projected light-water nuclear power plant. As a result, the survey team reportedly concluded that Sinpo in South Hamgyong Province is the most-likely candidate for construction of the power plant. On the basis of the survey's outcome, the team will soon conduct an additional survey of this site.

During its stay, the survey team negotiated with North Korea to obtain the full text of survey reports mapped

out by Russia in the 1980's. However, according to an official from the light-water reactor planning team on 5 November, the negotiations failed when the North Koreans demanded a charge in return for supplying the survey reports.

The official said that "after having conducted our safety survey of the region, with the aid of seismological measuring equipment, the survey team concluded that Sinpo is equipped with favorable conditions to construct a light-water power plant," adding "an additional survey will soon be conducted."

He added: "The North showed a passive stance toward KEDO's request for the survey reports mapped out by Russia, and called for a corresponding payment." He added: "Nonetheless, North Korea promised to selectively hand over necessary data during the course of conducting our surveys."

KEDO Land Survey Team Returns From DPRK
*SK0411122595 Seoul YONHAP in English
1221 GMT 4 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 4 (YONHAP) — A site survey team of the Korean Peninsula Energy Development Organization (KEDO) returned to Seoul from North Korea via Beijing Saturday afternoon.

The 19-member team including six South Koreans conducted the second-round survey beginning last Oct. 24 of the Sinpo area of North Korea, the candidate site of the projected construction of light-water reactors.

DPRK, ROK See 'Progress' in Reactor Talks
*SK0711051795 Seoul YONHAP in English
0436 GMT 7 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — North Korea claimed Tuesday that progress has been made in the talks between the Korean Peninsula Energy Development Organization (KEDO) and North Korea on the supply of two light-water nuclear reactors to the communist country.

The (North) Korean central broadcasting station, noting negotiations between North Korea and the U.S.-led KEDO for concluding a light-water reactor supply contract is under way, reported that progress has been made on some major issues, including that of sharing the expenses of building infrastructure for constructing a light-water, nuclear reactor-based power plant on a turn-key basis.

NAEWOE PRESS, the official North Korea watcher here, reported that the two sides "are narrowing the difference of opinions on technical and other matters to be covered by the light-water reactor supply contract" and that the discussion of drafting the agreement has entered its final stage.

KEDO and Pyongyang held the first round of talks on the supply of two light-water reactors last September

in Kuala Lumpur, as part of implementing the U.S.-North Korea agreement reached in Geneva last year and are currently engaging in the second round of the talks, which started Oct. 16 in New York City.

Anan Panyarachun Elected Head of Mekong Center
*BK2810114395 Bangkok BANGKOK POST
in English 28 Oct 95 p 5*

[Unattributed Report]

[FBIS Transcribed Text] Former Prime Minister Anan Panyarachun was yesterday elected chairman of the Mekong Region Law Centre, a new international body set up to expand legal cooperation among the Mekong sub-region countries.

The centre's main goal is to help Mekong basin countries promote their laws, strengthen their judicial systems and improve the quality of their lawyers while they are trying to put their legal systems in place.

Mr Anan replaced interim Chairman Chem Snguon, Cambodia's justice minister, who spearheaded the effort to launch the legal centre.

Other members of the Board of Trustees include Chem Snguon, the permanent secretary of the Cambodian Justice Ministry Uk Vithun, retired permanent secretary to the Thai Prime Minister's Office Apilat Osathanon, Vietnam's Lawyers' Association Ambassador Le Kim Chung, and the president of the Vietnamese Arbitration Committee Madame Nguyen Phuoc Dai.

During a press conference after the first meeting of the Board of Trustees yesterday, Mr Anan stressed that the centre was a non-governmental organisation with the aim of helping build and enhance the legal systems of Thailand's neighbours as they make the transition to being market economies.

The priority area is commercial law.

Mr Anan said that in the future the centre would like to see both Burma and China's southern Yunnan province join the board.

As for Laos, its officials have taken part in the centre's activities while it has been in the conceptual stage over the past two years, but has stopped short of becoming an official member, said senior public prosecutor Dr

Kittiphong Kittayarak who has been involved in the project.

The Asian Foundation has contributed six million baht to the center which is housed at the Office of the Attorney General.

ASEAN Nuclear-Free Zone Treaty Not Finalized

*BK3110052995 Bangkok BANGKOK POST
in English 31 Oct 95 p 8*

[Unattributed Report]

[FBIS Transcribed Text] An expert group of the Association of Southeast Asian Nations (ASEAN) failed to finalise a key document to declare its region free from nuclear weapons at a meeting in Indonesia last week, an informed source said yesterday.

The group will meet once more in November in hope the treaty of Southeast Asia Nuclear Weapons Free Zone (SEANWFZ) can be worked out in time for the December summit meeting of ASEAN leaders.

No dates have been set.

Leaders of the seven ASEAN members — Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam — are due to meet in Bangkok in mid-December when they hope to launch the treaty which has been under discussion since the early 1970s.

Also invited to the summit, are leaders from would-be members — Burma, Cambodia, and Laos — who are also expected to ink the treaty.

The source, who was at the three-day meeting in Yogyakarta ending last Thursday and attended by officials from the three would-be member countries, said it was a question of wording, but did not elaborate.

The expert group, chaired by Indonesia, hopes to present a clean text to a joint meeting of political and economic officials, set for November 23-25 in Jakarta.

Japan

Lower House Approves Defense Accord With U.S.
OW0711052895 Tokyo KYODO in English
0435 GMT 7 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — The House of Representatives on Tuesday [7 November] approved a new defense agreement increasing Japan's financial obligations for maintaining U.S. troops in Japan through March 2001.

The agreement was approved at a plenary session of the lower house on the strength of its backing by the ruling coalition and the main opposition Shinshinto (New Frontier Party) and was opposed by the Japanese Communist Party. It was referred to the House of Councillors.

The host-nation support pact, signed in September by Foreign Minister Yohei Kono and U.S. Secretary of State Warren Christopher, is known as the "special measures agreement."

The new accord will go into effect April 1, 1996, after the current accord expires and will remain in effect until March 31, 2001.

The new agreement will increase financial support from the Japanese side by about 3 billion yen in the first fiscal year.

Tokyo spends some 620 billion yen annually, or about 70 percent of the expenses for facilities and utilities, wages for Japanese base workers, and other outlays for maintaining U.S. bases in Japan.

As its major items, the accord requires Japan to bear the cost of wages for an additional 418 Japanese workers to be hired at U.S. bases, which currently employ 22,637 Japanese workers.

Tokyo will also pay the expenses for relocating training exercises to new military exercise sites, if requested by Japan, such as nighttime aircraft takeoff and landing drills on the island of Iwojima in the western Pacific, instead of from Atsugi Base outside Tokyo.

Prime Minister Tomiichi Murayama had stressed to the lower house the need for the new agreement in light of Japan's demands that U.S. military bases in Okinawa be consolidated and reduced in size.

DA Plan Seeks SDF Cut, Stronger U.S. Ties
OW0711051595 Tokyo KYODO in English
0249 GMT 7 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — The Defense Agency [DA] and the cabinet security affairs office submitted the final draft of a new defense

program to the government Tuesday [7 November], focusing on a cut in Self-Defense Forces (SDF) personnel and reinforcement of the Japan-U.S. security regime, agency officials said.

The draft of the National Defense Program outline was submitted to the government's Security Council, which will discuss it with a view to having it approved by the cabinet by mid-December, they said.

Some cabinet members argued the new defense program should place more weight on seeking a world free of nuclear weapons and others called for more concrete analyses of the international situation focusing on the possibilities of military conflicts involving Japan, the officials said.

The draft represents the first major revision of the defense outline in about 20 years, with the aim of making it more suitable for the post-Cold War period.

The agency has already submitted to the council a draft table for the new defense program, calling for a cut in the maximum number of personnel in the Ground Self-Defense Force by 20 percent from the current 180,000.

The new program will replace the 1976 National Defense Program outline, which has served as Japan's basic defense guideline.

Poll: Dietmen From Base Area Back Governor Ota
OW0711064295 Tokyo ASAHI SHIMBUN
in Japanese 6 Nov 95 Morning Edition p 1

[FBIS Translated Text] Nearly 60 percent of lower house members elected from constituencies where U.S. military bases are located support the Okinawa governor's refusal to sign leases by proxy to force unwilling landowners to continue leasing their land to U.S. forces on Okinawa, according to an ASAHI SHIMBUN poll. The survey also found that over 50 percent said "cuts in military bases are desirable," indicating that many feel the necessity of reviewing the Japan-U.S. Security Treaty in the post Cold-War era.

Questionnaires were distributed in October to 100 lower house members in 14 prefectures, including Tokyo, Kanagawa, and Okinawa, where U.S. military bases are located, and 72 responded.

Asked about Ota's refusal to sign documents, 42 respondents [58.3 percent] said they "support" him, far more than the 14 [19.4 percent] who said they do not and 16 [22.2 percent] who declined to answer.

Regarding the 20 November Japan-U.S. summit, where Japan-U.S. security arrangements will be on the main agenda, the respondents were also asked about the future

U.S. military presence. Those who answered "cuts in military bases are desirable" totalled 37 [54.2 percent]; 21 [29.2 percent] said "bases can be kept at the status quo"; and 12 [16.7 percent] declined to answer.

Hashimoto on Murayama's Decision on Proxy Signing

OW0711082195 Tokyo ASAHI SHIMBUN in Japanese 6 Nov 95 Morning Edition p 2

[FBIS Translated Text] With regard to Prime Minister Tomiichi Murayama's decision to undertake himself proxy signing of documents for forced lease of land for U.S. military bases on Okinawa, Ryutaro Hashimoto, deputy prime minister and International Trade and Industry minister, said at a news conference in Saga City on 5 November, "The prime minister should make a final decision before the Japan-U.S. summit talks at the latest." Thus, he gave his view that it is desirable that Murayama should formally decide on taking legal action for proxy signing before the meeting with U.S. President Bill Clinton on 20 November.

At a news conference held in Yamagata City on the same day, Koichi Kato, Liberal Democratic Party secretary general, also said: "Some people say that if the prime minister decides on (proxy) signing before the summit, he would lose a trump card for negotiations. However, I believe we will achieve good results by endeavoring to strengthen mutual trust."

U.S. Serviceman Pleads Guilty to Rape on Okinawa

OW0711060395 Tokyo KYODO in English 0528 GMT 7 Nov 95

[FBIS Transcribed Text] Naha, Japan, Nov. 7 KYODO — A U.S. serviceman stationed in Okinawa pleaded guilty Tuesday [7 November] to charges of abduction and rape of a local schoolgirl, an incident that touched off rage among the people in the southernmost Japanese island prefecture against the U.S. military here.

U.S. Navy Seaman Apprentice Marcus Gill, 22, pleaded guilty in the Sept. 4 case. He is standing trial at the Naha District Court along with two Marines, Kendrick Ledet, 20, and Rodrico Harp, 21, both privates first class.

Ledet and Harp pleaded not guilty to the rape charges.

At around 8 p.m. on Sept. 4, the three suspects went to a residential district in the northern part of Okinawa island, where the 12-year-old girl happened to be returning home from shopping, hit her in the face, threw her into a vehicle and raped her, the indictment said.

They have been detained by Japanese authorities since Japanese prosecutors indicted them Sept. 29, before which the authorities were unable to hold them under the

1960 Japan-U.S. Status of Forces agreement. The initial inability of detention has further fueled the Okinawa residents' anger.

Since the rape, the Okinawan people have stepped up their demands to review the bilateral accord and reduce local U.S. bases. Some 75 percent of U.S. bases in Japan are concentrated in Okinawa Prefecture, which accounts only for 0.6 percent of the total Japanese land area.

On Oct. 21, about 85,000 Okinawa people gathered at a rally to protest against the incident.

In support of the anger, Okinawa Gov. Masahide Ota has refused to sign documents needed to compel unwilling local landowners to renew rental of their lots to the U.S. bases.

Some 160 local residents hoping to get admission tickets for the trial had been waiting within the court compound since morning, while several dozen foreign reporters had gathered in front of the court house.

Chief Cabinet Secretary Koken Nosaka said at a news conference that developments in the trial will sway the course of debate at a planned high-level consultative body between Japan and the United States on a possible cut in U.S. bases.

"Many people have great interest in the trial...And we have also been watching its development very carefully and closely," the top government spokesman said. "It will affect the course of discussion at the planned council in the future."

Perry's Visit Termed First Step for Base Issue

OW0711105995 Tokyo TOKYO SHIMBUN in Japanese 2 Nov 95 Morning Edition p 4

[Editorial: "A Step Toward Reducing U.S. Military Bases on Okinawa"]

[FBIS Translated Text] Both the Japanese and U.S. Governments have, at long last, begun to tackle the issue of realignment and consolidation of U.S. military bases on Okinawa Prefecture. Efforts should be made to pave the way for substantial reduction of U.S. bases.

U.S. Defense Secretary William Perry visited Japan to hold talks with Foreign Minister Yohei Kono and Defense Agency Director General Seishiro Eto and to pay a courtesy call on Prime Minister Tomiichi Murayama. Perry's visit was originally aimed to hold final consultations for working out a "joint statement" revaluing the Japan-U.S. security treaty, which is to be issued after a Japan-U.S. summit meeting in late November. However, the handling of the U.S. military

base issue that has stemmed from the rape of an Okinawa schoolgirl became an emergency topic.

Perry and the Japanese officials, at their meeting, agreed on the following tentative measures to solve the issue: 1) a conclusion should be reached by the year-end on the return or the possibility of return of 10 facilities and sites, including Camp Hansen, on which the Japan-U.S. Joint Committee agreed in 1990; and 2) efforts should be made to immediately solve three important items, including return of the entire facilities of Naha Military Port.

Moreover, it was decided to set up a "new consultation panel" under the "Japan-U.S. security consultation committee" of senior foreign and defense officials to make improvements in the base issue. The new panel is supposed to "discuss the ideal way of maintaining U.S. military facilities and sites, training, safety, and operational procedures from a medium-to-long term perspective."

This is the first time since the 1972 reversion of Okinawa to Japan that both Japan and the United States held such serious consultations on the improvement in the base issue. In that sense, it can be said that a forward step has been taken.

However, except for a few items already agreed on, the recent agreements do not include a specific schedule for realigning and consolidating other facilities and sites.

The government, at first, needs to indicate a specific schedule for the return of U.S. bases incorporated in the agreements through the consultation panel, and it needs to realize the return as soon as possible. If it cannot, the Okinawan people's distrust will further increase.

However, the government does not probably expect the Okinawan people to be satisfied with such things. The recent agreements fail to indicate the outlook for improving in the near future the current situation, in which 75 percent of all the military facilities used by the U.S. forces in Japan are concentrated in Okinawa and U.S. bases occupy 20 percent of the main island of Okinawa.

"The government has a good reason to say the security treaty is necessary. But, no one offers to undertake the responsibility. If the bases are so necessary, all the prefectures should share the burden."

This comment made by Okinawan Governor Masahide Ota to a ruling coalition's mission is of great significance.

The people in Okinawa have been dissatisfied with very slow progress in efforts to return or transfer U.S. military bases already agreed on between Japan and the United States. Moreover, they are angry with the

government and mainland Japan, which have forced only Okinawa to make sacrifices on the grounds that the Japan-U.S. security is important.

Perry repeatedly said at the meeting with the Japanese officials and a news conference after the meeting: "The U.S. policy of maintaining 100,000 forward-deployed troops in the Asia-Pacific region, including about 47,000 troops in Japan, remains unchanged."

This means that the United States will try to realign and consolidate its military facilities in Japan and to eliminate troubles caused by the presence of U.S. bases on condition that its troops will not be reduced. It is not easy to find out a point of compromise between the security treaty and the safety and ease of local residents.

A meeting between Prime Minister Murayama and Governor Ota is set for late this week. The deadline for the proxy signing of compulsory land lease contracts for U.S. military use, which the governor has refused to sign, is near at hand.

It is probably impossible to solve the Okinawa base issue in a heartbeat. Nevertheless, the government needs to make continued efforts not only to realign and consolidate U.S. military bases on Okinawa but also to pave the way for substantial reduction of the bases.

Japan and the United States have, at long last, begun to take steps to make improvements in the base issue. The two countries have increasingly understood that military bases cannot function fully without cooperation and understanding of local residents. This is a good opportunity to make additional progress.

EU Official: Auto Accord Should Apply to All

OW0711122395 Tokyo KYODO in English
1112 GMT 7 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — The European Union (EU) has given Japan a new list of 184 items it hopes Japan will include in the ongoing deregulation program, a high-ranking EU official said Tuesday [7 November].

The list was handed over at high-level consultations between the EU and Japan held in Tokyo on Monday and Tuesday, said Horst Krenzler, the European Commission's director general for external relations, during a press conference at the commission's Tokyo office.

Japan announced a wide-ranging decontrol plan in March, and the program is under the review process with proposals from various concerns.

Krenzler said the new EU list covers 98 sectors. The proposals include establishing rules for interconnection

of telecommunications lines, reducing the number of licenses required to be certified as a construction contractor in Japan, and quickening the process of quarantine inspection for cut flowers at Japan's international airports.

The EU proposed a similar list of 150 items in October 1994.

The new list has more proposals, but this is because "the EU proposals have been streamlined, worked out in greater detail and broken down into several more specific proposals," said Krenzler.

Some of the first proposals were included in Japan's March program, "so, in substance, the number of requests has not increased very much," Krenzler added.

The European Commission official visited Tokyo to attend the high-level consultations, which were held as part of regular bilateral consultations between the two economies.

During the meeting, he discussed issues as deregulation, market access, cooperation and other international events with Japanese officials, including Deputy Foreign Minister Kazuo Ogura.

Krenzler said he reiterated in the discussions the EU stance that the automotive trade accord between Japan and the United States should be applied to all Japanese trade partners.

"We had a bitter experience with the semiconductor trade agreement between Japan and the U.S.," Krenzler said, charging that the EU lost market share in Japan when the U.S. increased its share.

In a bid to prevent a similar thing from happening, the EU urged Japan to have the EU be an "active observer" and carry out close monitoring on the implementation of the Japan-U.S. auto accord reached in June, he added.

Meanwhile, Japan also submitted a list of 15 fields it wants the EU to ease regulations on, a foreign ministry official said.

Among the 42 items contained in the list, Japan requested the EU to further clarify a newly introduced "safety mark" for EU products, the official said.

Tokyo also wants to be listed in the EU document when exporting dairy products, he said.

Japan and the EU agreed to further discuss the suggested items for deregulation, the official said.

MITI Minister Stresses Need for Reforms

AU0711104995 Hamburg *DER SPIEGEL* in German
6 Nov 95 pp 137, 140

[Interview with Japanese Industry Minister Ryutaro Hashimoto by an unidentified correspondent; place and date not given: "I See Dangers"]

[FBIS Translated Text] [DER SPIEGEL] Japan is in the deepest structural crisis of the postwar period. How do you plan to get out of it?

[Hashimoto] The system that we have established over the 50 years since World War II is reaching its limits everywhere. This applies to society, industry, and the bureaucracy. We cannot avoid profound reforms in any areas. But that is also why we do not have a generally valid recipe for the great number of problems.

[DER SPIEGEL] Until the beginning of the 1990's, Japan was envied for its low unemployment; now you, too, have an unemployment problem. What has gone wrong?

[Hashimoto] Our industry has lost its self-confidence. The current unemployment level of 3.2 percent is a record for Japan. This situation continues month after month. It is completely unclear what will happen on the labor market. In addition, we have delayed taking the necessary decisions for too long because of the political mess over the past two or three years.

[DER SPIEGEL] In the 1980's, Western politicians and entrepreneurs went to Japan to learn from the Far Eastern economic miracle. The industrial policy of your Ministry for International Trade and Industry, MITI, was considered exemplary. Now MITI seems to be at the end of its wits....

[Hashimoto] I do not think so. However, MITI officials may not like to hear what I am going to say now: In the 1980's, MITI neglected cultivating companies that could have taken over the leadership in the 1990's. This is our problem. Let us take the information and telecommunications sector: Instead of making progress with the new media together, MITI one-sidedly dealt with information technology and the Post Ministry with telecommunications. While the officials of both ministries defended their respective powers, we have fallen back in the new technologies.

[DER SPIEGEL] How long will it take Japan to reform its economic structure, which is one-sidedly oriented toward the export of mass production goods?

[Hashimoto] I want to reform our economic structure as quickly as possible. We need about five years to make

our economy fit for the 21st century. We do not have more time.

[**DER SPIEGEL**] To compensate for the shifting of production abroad, MITI wants to support small creative "venture" companies. Should you not rather leave this task to the private sector?

[**Hashimoto**] As before in the car or microchip industry, MITI wants to find new sectors and cultivate companies there. The Japanese capital market is not yet contributing to developing venture companies. I see great tasks for MITI in this area in the future.

[**DER SPIEGEL**] Where do you want to create new jobs?

[**Hashimoto**] I am thinking of information technology, housing construction, and the medical and nursing-care sector.

[**DER SPIEGEL**] The latest bank crashes have considerably damaged Japan's reputation. Why does your government not get the crisis under control?

[**Hashimoto**] As a former finance minister, I am also bothered by this. First of all, the scope of the overdue loans must be determined and the question must be answered which of them can still be saved. As long as this is not clear, we cannot know whether or not we must provide government money.

[**DER SPIEGEL**] In the end, the government will hardly be able to avoid it.

[**Hashimoto**] Personally, I think that government subsidies will be necessary. However, I repeat: Before granting them, we must know what the problematic loans are like.

[**DER SPIEGEL**] Abroad people are wondering whether the Japanese financial authorities would be able to get a major bank crash under control.

[**Hashimoto**] The government, that is, the Finance Ministry, bears full responsibility both for the banks and for the credit cooperatives. If a major institute were to have problems, we could easily get to grips with them.

[**DER SPIEGEL**] How long will the consolidation of the financial system take?

[**Hashimoto**] About five years. If our finance minister and the Central Bank governor manage to convince the other G-7 countries that Japan is acting with determination against the bank crisis, we can take some time over solving the problem. If not, I see great dangers.

[**DER SPIEGEL**] Domestic problems are joined by the uncertainty about Japan's relationship with its ally, the

United States. It is not only since you quarrel with U.S. Trade Representative Mickey Kantor about U.S. import cars and car parts that you have been considered a foreign policy hardliner....

[**Hashimoto**] Why do you call me a hardliner but not Kantor?

[**DER SPIEGEL**] Is Japan turning away from the West?

[**Hashimoto**] This is completely wrong. We are not turning away from the West. The relationship with the United States remains the most important foreign policy relationship for Japan. This relationship must be deepened further.

Kono Leaves for Rabin's Funeral

*OW0611060895 Tokyo KYODO in English
0002 GMT 95*

[FBIS Transcribed Text] TOKYO, Nov. 6 Kyodo — Foreign Minister Yohei Kono left here for Tel Aviv early Monday [6 November] morning to attend the state funeral in Jerusalem for the assassinated Israeli Prime Minister Yitzhak Rabin.

Kono, flying on a government jetliner, will attend the funeral as the special envoy representing Japan.

Kono is expected to confer with caretaker Prime Minister Shimon Peres during the visit.

The foreign minister is scheduled to return to Tokyo on Wednesday.

Asia-Pacific Security Meeting Slated 9-23 Nov

*OW0711104095 Tokyo KYODO in English
1005 GMT 7 Nov 95*

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — Middle-ranking military officers from 16 Asia-Pacific countries and regions will meet Nov. 9-23 in Japan to discuss security issues, the Defense Agency said Tuesday [7 November].

Russia will be among those participating in the conference, the second following the first one last year.

The participants will also observe the Self-Defense Forces, the officials said.

Vietnam, Mongolia and India are joining the conference for the first time this year.

Leaders' Arrival Schedules for APEC Reviewed

*OW0711125095 Tokyo KYODO in English
1150 GMT 7 Nov 95*

[FBIS Transcribed Text] Osaka, Nov. 7 KYODO — Canadian Prime Minister Jean Chretien will be the

first head of the 18 Asia-Pacific Economic Cooperation (APEC) forum's members to arrive in Osaka on Nov. 16 to attend their unofficial meeting on Nov. 19.

Australian Prime Minister Paul Keating will also arrive at Kansai International Airport on Nov. 16, where 16 other leaders are scheduled to land later, officials said.

The following day, Nov. 17, will see most of the arrivals for the informal summit talks — Chilean Prime Minister Eduardo Frei, U.S. President Bill Clinton, Chinese President Jiang Zemin, South Korean President Kim Yong-sam, Philippine President Fidel Ramos, Indonesian President Suharto, Hong Kong Financial Secretary Donald Tsang, and New Zealand Prime Minister James Bolger.

On Nov. 18, Thai Prime Minister Banhan Sinlapa-acha, Singaporean Prime Minister Goh Chok Tong, Mexican President Ernesto Zedillo and Papua New Guinea Prime Minister Julius Chan will arrive at the airport, the officials said.

But the time of arrival of Taiwan Economic Minister Chiang Ping-kun and Brunei King Bolkiah Hassanal has not been decided, and it is not known yet when Malaysian Prime Minister Mahathir bin Mohamad will arrive, they said.

In a related development, about 10,000 police officers from all over the country entered Osaka on Tuesday to tighten security during the APEC meetings.

About 25,000 police officers are scheduled to be on guard in the city of Osaka to prevent any possible incidents during the meetings scheduled from Nov. 16 through Nov. 19.

MOFA Official on APEC Agricultural Issue

OW0511123295 *Tokyo ASAHI SHIMBUN*
in Japanese 3 Nov 95 Morning Edition p 3

[FBIS Translated Text] On 2 November, a top Foreign Ministry official commented on coordination among member nations of the Asia-Pacific Economic Cooperation (APEC) forum to pave the way for the upcoming Osaka forum, and stated: "We have managed to win understanding of Japan's stance little by little." In this way, he indicated his confidence that an action plan will be worked out, while leaving "some foothold" (as stated by the top official) that may lead to excluding agricultural products from future trade liberalization.

Kono: No Plan To Visit Seoul Before 17 Nov

SK0711105395 *Seoul YONHAP* in English
1036 GMT 7 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 7 (YONHAP) — Japanese Foreign Minister Yohei Kono will not be able

to visit South Korea before the upcoming meetings of the Asian and Pacific Economic Cooperation (APEC), a Foreign Ministry spokesman said Tuesday.

Reports said in Korea earlier in the day that Kono may visit Seoul this weekend to discuss with Seoul authorities the issue of the APEC summit and foreign ministers meetings opening in Osaka on Nov. 17.

"Minister Kono has tight Diet schedules and therefore he has no plan whatsoever to visit a foreign country before the opening of the APEC annual meeting on Nov. 17," spokesman Hiroshi Hashimoto said.

Record-High Bond Issue Included in FY96 Budget

OW0711003395 *Tokyo ASAHI SHIMBUN*
in Japanese 2 Nov 95 Morning Edition p 1

[FBIS Translated Text] The government is expected to issue a total of 18 trillion yen worth of new national bonds, a record high, in a draft general account budget for FY96 to be decided on late this year. Although tax revenue, a main part of the nation's revenues, is expected to increase slightly, it remains short. For this reason, a large number of national bonds have to be issued to make up for an increased gap between expenditures and revenues. As a result, national bonds are expected to account for more than 20 percent of the initial budget for the first time since FY86. The outstanding balance in national bonds is also expected to exceed 240 trillion yen at the end of fiscal 1996, further worsening the nation's fiscal condition.

According to a 1 November announcement of a report on tax revenue through the end of September, the total for FY95 is expected to reach a little more than 51 trillion yen, about 2 trillion yen below the May estimate. Assuming a nominal 2-percent economic growth rate, tax revenue for FY96, based on the FY95 figure, is expected to be around 53 trillion yen.

As for expenditures for fiscal 1996, budget requests from ministries and agencies submitted to the Ministry of Finance [MOF] by the end of August totaled to 79.19 trillion yen. The MOF intends to reduce total expenditures to around 74 trillion yen. For instance, it plans to reduce "general expenditures," which are policy-related expenses, by nearly 1 trillion yen from the requested 43.9 trillion yen to around 43 trillion yen.

Despite such efforts, the difference between expenditures and tax revenue is as much as 21 trillion yen. Although revenues from sources other than taxes, such as contributions from the Bank of Japan, are expected to reach about 3 trillion yen, approximately 18 trillion yen worth of national bonds have to be issued to make up for the revenue shortfall. Of that shortfall, almost

the full amount of 10 trillion yen in investment-related expenses will be financed by construction bonds, and the remaining 8 trillion yen will be financed by deficit-covering bonds.

The previous record for national bonds included in the initial budget was 15.27 trillion yen in FY79, of which deficit-covering bonds accounted for 8.055 trillion yen. The same amount of deficit-covering bonds is expected in fiscal 1996, with national bonds expected to total about 3 trillion yen more than in FY79.

Fiscal conditions have deteriorated to this extent because economic recovery is the government's greatest task. Pressure for the government to increase spending to sustain the economy is becoming stronger because the official discount rate has been cut to a record low 0.5 percent, and no other financial measure is available to spark the economy. So in the future, the government must bear a heavier fiscal burden in interest payments and redemption of national bonds.

In view of the continued increase in outstanding national bonds, some MOF officials maintain that "issuance of a record amount of national bonds should be avoided." Given the situation, the government is considering reducing the amount of national bonds by further decreasing expenditures or increasing revenues from sources other than taxes by manipulating special accounts and so on.

Tax Reform 'May' Include Easing Landholding Tax
OW0711133195 Tokyo KYODO in English
1147 GMT 7 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — The head of the government's tax commission on Tuesday [7 November] indicated the possibility of easing the landholding tax as part of sweeping tax reform for fiscal 1996 which begins in April.

Kan Kato told reporters after the panel's general meeting, "some consideration is necessary of the way the tax is applied."

He said, however, it may be difficult to scrap or freeze the landholding tax as a way to promote the sale of land.

Appearing from the tax panel's general meeting, Kan Kato told reporters that he shared the view of the majority of economists who believe scrapping of the tax would not have the effect of boosting the moribund land transactions.

The nation's land deals have become stagnant following the collapse of the asset inflation-fueled "bubble economy" of the late 1980s.

He said consensus has yet to be reached among committee members with views still divided over the advisability of scrapping the tax, which was introduced in 1992 as a means of arresting soaring land prices.

Further study of the national tax will be needed in terms of its relationship with the municipal fixed-assets tax as part of overall land taxation system reform, Kato said.

Views are also divided among the members over whether or not the fixed assets tax should be changed, he said.

Some argued that priority should be given to land use planning and that easing land-related taxes is not a way to encourage land sales, Kato said.

The commission will continue discussing the necessity of the two kinds of taxes on landholdings and what the burdens should be, Kato said.

At present, the central government imposes a 0.3 percent tax on corporate landholdings valued at more than 1 billion yen as well as on landholdings worth more 1.5 billion yen owned by individuals or smaller companies.

About 1 percent of Japanese corporations are subject to the national tax.

Meanwhile, municipal governments levy a standard 1.4 percent fixed assets tax on land, buildings and depreciation funds, modified by some burden adjustment measures.

Tuesday's discussion is part of preparatory sessions meant to craft a framework for a fiscal 1996 tax reform package.

EPA Head: Daiwa 'May Block' Economic Recovery
OW0711033795 Tokyo KYODO in English
0246 GMT 7 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — Japan's top economic planner warned Tuesday [7 November] that the possible wide-ranging effects of the imminent expulsion of Daiwa Bank from the United States may block an early recovery of the Japanese economy.

Isamu Miyazaki, director general of the Economic Planning Agency (EPA), told a news conference the news of the U.S. banking regulators' eviction order for Daiwa may "have a very bad psychological impact" on the entire economy by combining with public disappointment at the government's slow handling of the bad loans issue.

Miyazaki suggested he had been more optimistic about the economy's ability to go back onto an expansionary

track before the Federal Reserve Board ordered Daiwa to end all of its U.S. operations by Feb. 2 as punishment for allegedly ordering a cover-up for a \$1.1 billion bond-trading loss at its New York branch.

The loss was initially incurred by a trader at the branch, but the U.S. Justice Department on Thursday announced the arrest of a former manager of the branch and the indictment of the entire bank for ordering the alleged concealment of the losses.

"I had argued that the economy would recover if the government continued to implement an uninterrupted series of economic stimulatory packages, but an unexpected incident broke out over Daiwa," he said.

As the nation's top economic planner, Miyazaki has been one of the chief driving forces behind the government's stimulatory measures, such as the 14.2 trillion yen package Sept. 20, as well as tax reform and bad loan disposal proposals.

"I hope this incident will not exert adverse influence over the economy by being combined with a series of nonperforming loan-related incidents," he said.

He criticized both Daiwa and the Finance Ministry for delaying their reports to the U.S. financial authorities about the losses incurred by the 44-year-old trader, Toshihide Iguchi.

"The actions of the parties related to this incident, including those of the Finance Ministry, have been inappropriate in terms of their timing," he said.

"It is understandable that the U.S. financial authorities acted (against Daiwa) in accordance with the U.S. values and if Japan interpreted it as an abrupt action, it means that its perception of the international situation has been too optimistic," he said.

Miyazaki downplayed concerns among some private economists that the Daiwa scandal may undermine international confidence in the entire financial community, thereby leading foreign financial institutions to reduce business with their Japanese counterparts.

"Japanese financial institutions have acted overwhelmingly as lenders (in the international financial community)," he said.

"There aren't any economies that are not dependent on Japanese lenders' money," he said.

"Because of this fact, the U.S. financial authorities have been concerned about (the problems of) the Japanese financial system," he said.

He noted there appears to be some contradiction in recommendations on the housing loan companies' bad loan issue in a report drawn up recently by the project

team of lawmakers from the three ruling coalition parties.

"The report says that the government should speed up the solution of the bad loan issues and at the same time it says that it will take time-consuming efforts to secure an agreement among related parties," he said.

"I cannot understand whether the project team is calling for speeding up the disposal or warning against quick premature actions," he said.

"Ambiguity is the worst (thing) for the economy," he warned.

Nomura Reportedly Opposes Daiwa, Sumitomo Merger

*OW0711134095 Tokyo KYODO in English
1214 GMT 7 Nov 95*

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — A possible merger between scandal-tainted Daiwa Bank and Sumitomo Bank has already hit a major stumbling block, prompting Daiwa's president to say the bank will seek rehabilitation on its own, financial industry sources said Tuesday [7 November].

The hurdle is opposition by Nomura Securities Co., which is Daiwa's biggest shareholder and originated from the same entity as the bank in financial resources, according to the sources.

Expectations of the merger, which would create the world's biggest bank, suddenly came to the surface last Friday when Daiwa Bank President Takashi Kaiho said his bank would join hands in operations with Sumitomo and indicated a positive stance toward an amalgamation of the two banks.

"We can envision Sumitomo Bank as a possible merger partner," Kaiho said at a press conference.

He made the remark following the U.S. regulators' order to the Osaka-based major commercial bank to shut down all its operations in the United States over a \$1.1 billion loss in unauthorized U.S. bond trading and related scandals.

A merger with Sumitomo was said to be unavoidable for Daiwa, as a withdrawal from U.S. operations will substantially weaken its business basis. Moves toward a possible amalgamation appeared likely to gather steam as Sumitomo executives said they would consider it if Daiwa made a merger proposal, and Japanese financial authorities expressed support for such a development.

But Nomura President Hideo Sakamaki dampened enthusiasm when he said he had never heard of the merger issue and added that the biggest Japanese brokerage

house would not support Daiwa if it wanted to merge with Sumitomo, according to individuals close to Sakamaki.

With other top Nomura executives starting to express their opposition to the merger, Kaiho told the Nomura management at the securities giant's head office in Tokyo on Monday that Daiwa Bank will seek to rehabilitate its operations on its own, officials of the brokerage said.

Financial industry sources said the brokerage's opposition is understandable as Daiwa executives admitted that they had not consulted Nomura leaders in advance about the merger.

The sources noted that although Sumio Abekawa, Daiwa's former chairman, had tried to inform Nomura of the merger plan, top Finance Ministry officials, principal architects of the scheme, stopped him for fear that the leakage of information would prompt other major commercial banks with close business ties to Nomura, such as Sanwa and Sakura, to oppose the move.

Ministry bureaucrats and Sumitomo chiefs want to avoid such opposition because they allegedly envisage the merger growing into a bigger union with Nomura, the sources said.

Nomura executives evidently disliked this scenario. But if Nomura sticks to its opposition to the merger, it will have to propose an alternative scheme to help Daiwa out of its plight.

Banks Urged To Tighten Overseas Supervision

*OW0711051495 Tokyo KYODO in English
0343 GMT 7 Nov 95*

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — Finance Minister Masayoshi Takemura called on Japanese banks Tuesday [7 November] to promptly disclose information and strengthen supervision of their overseas operations to prevent a recurrence of financial fraud such as the one at Daiwa Bank.

Takemura said at a press conference that he was reflecting on whether the ministry made efforts to disclose information about Daiwa's alleged fraud as early as possible in line with U.S. common practice.

"We lacked understanding that it happened in the United States as an unprecedented illegal case...We should have done as the Americans do when in the U.S.," Takemura said.

The Finance Ministry has been under fire for taking more than 40 days to report a huge trading loss at Daiwa Bank's New York branch to the U.S. authorities.

Last week, U.S. regulators ordered Daiwa Bank to cease all its operations in the United States by Feb. 2, saying the bank had engaged in unsafe and unsound banking practices.

A criminal indictment was also issued against the bank in connection with a \$1.1 billion trading loss at its New York branch over a period of 11 years and an alleged systematic cover-up of the fraud.

Takemura said the Daiwa scandal made him realize keenly the importance of stronger supervision of overseas outlets of Japanese banks, as the current systems failed to detect the fraud.

Asked about the responsibility of the finance minister in the Daiwa Bank fraud, Takemura said, "this is an illegal act of an individual financial institution."

On Monday, Chief Cabinet Secretary Koken Nosaka said the finance ministry is partially responsible for the scandal, while the opposition party Shinshinto (New Frontier Party) is reportedly prepared to ask Takemura to take responsibility for the case in the ongoing Diet session.

Asked to comment on Nomura Securities Co.'s negative response to a possible merger of Daiwa Bank and Sumitomo Bank, Takemura said, "we have yet to be informed of the merger." He welcomed, however, Sumitomo Bank's offer to take over Daiwa Bank's U.S. operations.

On Monday, Nomura Securities Co. President Hideo Sakamaki expressed doubts about the proposed merger, saying, "I think it will lower the morale of Daiwa Bank employees."

Nomura Securities is the major shareholder in the Osaka-based Daiwa Bank.

Banks To Bear Housing Lenders Write-Off Cost bat>[KYODO]

*OW0711113295 Tokyo KYODO in English
1051 GMT 7 Nov 95*

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO — Farm banking institutions will be asked to share the burden of debt disposal by heavily indebted housing loan companies, political sources said Tuesday [7 November].

The sources close to the ruling coalition said banks affiliated with agricultural organizations will be sought to give up part of principal on their loans to the financially troubled lenders.

The total amount of nonperforming loans held by seven housing loan companies is estimated at 8.3 trillion yen as of the end of June.

The request will be incorporated in a debt disposal scheme to be worked out by the three ruling parties and the Ministry of Finance, the sources said.

The scheme will be based on a proposal to be made later this month by a financial and securities project team of the ruling coalition made up of the Liberal Democratic Party, the Social Democratic Party and New Party Sakigake.

Commercial banks are the main investors in the housing loan firms, which are major borrowers from agriculture-affiliated institutions.

Farm banks insisted that founder banks should be held responsible primarily for the financial straits of housing loan companies while commercial institutions argued that farm institutions should share the blame as they are major creditors.

The sources said the debt disposal scheme to be worked out by the ruling parties and the Ministry of Finance will call for the write-off of the entire debt held by the housing loan companies all together at once at the end of March, when the fiscal year ends.

The sources said the farm banks will be asked to give up principal worth 800 billion yen out of the total of 5.5 trillion yen.

Commercial banks will be asked to give up the entire amount of loans to the housing loan firms and contribute funds to new institutions to be established to dispose of the debts, the sources said.

Editorial Criticizes Ministry on Daiwa Affair
*OW0711091395 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 4 Nov 95 Morning Edition p 2*

[Editorial: "The United States' Iron Will As Seen in the Daiwa Bank Affair"]

[FBIS Translated Text] The Federal Reserve Board (FRB) and the financial authorities of the United States issued on 2 November (3 November, Japan time) an order for Daiwa Bank New York branch to shut down business operations of all its offices in the United States by 2 February 1996 over the incident wherein Daiwa suffered great losses in illegal U.S. government bond transactions.

At the same time, the New York federal prosecutor charged Daiwa Bank of 24 criminal offenses, including concealment of a serious crime, at the New York federal court on the same day, and arrested Masahiro

Tsuda, former New York Branch manager for forgery of records and a number of other offenses.

In response, Daiwa accepted the U.S. authorities' penalty, and decided to give up efforts to rehabilitate the bank independently, but instead, work for renewal through a merger with Sumitomo Bank.

The reason for U.S. banking regulators' imposing this harsh penalty, which may be critical for Daiwa's survival, is their strong skepticism arising from the fact that illegal acts were committed by Daiwa Bank as an organization, and that the Ministry of Finance (MOF), which supervises Daiwa Bank, delayed for as much as 40 days notification to the U.S. authorities after it received a report on Daiwa's losses on 8 August.

At a news conference on 3 November, Yoshimasa Nishimura, director general of the Banking Bureau, said: "When we received the report, we did not know whether there was organizational involvement (in this incident)." Undeniably, the MOF had been overoptimistic about the possible implications of the incident at that stage.

Behind this is the difference in the perception of the Japanese and the U.S. financial authorities of the market economy. To the U.S. authorities, the maintenance of the market economy is top priority. To maintain and develop the market economy, there are rules that have to be followed, the most important of which is disclosure of information and maintenance of transparency. If this principle is not observed, and concealment of information and "dango" [behind-the-scenes dealings] are resorted to, there can be no market economy. Therefore, offenders need to be strictly punished.

It goes without saying that if an offense involves a whole organization, and even the Japanese financial authorities are allegedly behind it, the U.S. authorities would naturally take an even tougher attitude.

In postwar Japan, although lip service is always paid to advocating the market economy, all possible efforts are actually made to render the principles of market economy inoperative. The MOF leads this bandwagon. Until recently, the banking sector has been tightly controlled, even on such matters as raising or cutting interest rates of bank deposits.

Since the job of the MOF's Banking Bureau over the years has always been to place the banking sector outside the framework of the market economy, it cannot possibly understand the U.S. banking authorities' "iron will" in imposing a strict penalty that may threaten the very existence of a banking institution.

Undoubtedly, the Daiwa Bank has to take the responsibility for its unlawful acts; and the MOF, which helped

create banks like Daiwa, also has to take serious blame. Immediately after the U.S. authorities announced their decision, on the same day, the MOF also announced its penalties on Daiwa under Article 26 of the Banking Law. It was simply a pathetic gesture. It is high time for an end to the formula: whenever an illegal act is uncovered, a solution showing that "the bureaucracy (the MOF) is good, the private sector is evil" is put in place.

The first step to forming a market economy characterized by transparency is to depart from the myth that "the MOF is the center of the universe."

Forestry Agency Drafts Program To Help Industry
*OW0611123295 Tokyo KYODO in English
 1006 GMT 6 Nov 95*

[FBIS Transcribed Text] Tokyo, Nov. 6 KYODO — The Forestry Agency has drafted a program to enhance productivity in the forestry industry with more use of machinery in a move designed to help the declining industry better compete with imports, agency officials said Monday [6 November].

The program calls for rental of labor-saving machinery to business-oriented foresters and forestry cooperatives, and a fund to provide newcomers in the industry with interest-free 20-year loans, the officials told KYODO NEWS SERVICE.

The scheme also proposes a system allowing idle forests to be utilized by aggressive foresters on behalf of their owners so as to prevent such forests from falling into ruin and allow management of big-scale forests that pave the way for better use of forestry machines, they said.

The scheme, to be incorporated in one of three bills the agency plans to submit to the next ordinary Diet session that begins in January, comes amid an influx of low-priced lumber imports against the backdrop of an increase in labor costs in the nation's forestry industry.

At present, labor costs account for about 70 percent of total costs in the industry, meaning the nation's forestry industry is extremely labor-intensive.

Other costs are also up sharply from 30 years ago, with afforestation costs showing more than a 10-fold jump and seedbed costs registering more than a sevenfold rise, according to the agency.

But faced with competition with low-cost imports, standing cedar tree prices fell by about 30 percent.

Agency officials said they expect the introduction of an all-in-one deforestation machine capable of felling, logging and carrying out lumber products to shave labor costs by nearly 40 percent.

But prices are a problem. Each machine costs about 30 million yen, limiting the number in operation in Japan to only 800 at present.

The program aims to promote the use of such machines by making designated foresters and cooperatives eligible to rent them from a local forestry management center to be formed in each prefecture, the officials said.

The fund intended for starters in the industry is chiefly aimed at halting a declining trend in the working population in the industry.

The number of workers in the industry has dropped by more than half over a 30-year period, falling to about 110,000 in 1992 from 260,000 in 1962.

Of the workforce in 1992, about 70 percent were aged 50 or older and only 175 high school graduates found jobs in the industry in 1993.

Firms To Help Build Indonesian Telecom Network
*OW0611084395 Tokyo KYODO in English
 0706 GMT 6 Nov 95*

[FBIS Transcribed Text] Tokyo, Nov. 6 KYODO — Several major Japanese trading houses have joined a giant project to consolidate the telecommunication infrastructure in Indonesia.

Their inroads in the country's telecom market are in response to a request by state-run PT Telekomunikasi Indonesia (PT Telkom).

The corporation has asked foreign companies to provide funds and technological cooperation for its project designed to consolidate a nationwide telecommunication network with 5 million circuits over the next three years, officials of the Japanese trading houses said.

They said PT Telkom will undertake a 3-million-circuit project in Surabaja and surrounding area while foreign partners will be assigned to build a network with 2 million circuits in five other regions — central and western Java, Sumatra, Kalimantan and the eastern islands.

Two Japanese trading companies, Itochu Corp. and Sumitomo Corp., have agreed to jointly undertake the project in central Java while two others, Marubeni Corp. and Nichimen Corp., will handle the Sumatra leg of the project.

The four companies said procedures for their capital participation are under way.

The trading houses said they will step up a drive to sell necessary equipment for the project. They also are

looking forward to earnings from the telephone service in the future.

They said they place much expectation on the project as it may be the last big business chance for them in Southeast Asia.

Another Japanese trading house, Mitsui and Co., will participate in a digital, mobile telephone project on Java, company officials said.

Keidanren To Help LDP Repay Campaign Loans

OW0311124895 Tokyo KYODO in English
1157 GMT 3 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 3 KYODO — The Federation of Economic Organizations (Keidanren) will hold a meeting Nov. 16 among its member industry groups, member corporations and the Liberal Democratic Party (LDP) to help the party repay 10 billion yen in loans extended by commercial banks as election campaign funds in 1993, business sources said Friday [3 November].

At the meeting, the LDP, the largest force in the three-party coalition government headed by Prime Minister Tomiichi Murayama, is expected to ask for political donations from the companies and industry organizations to cover loans which the party obtained from eight major commercial banks.

In 1993, the LDP, headed by then Prime Minister Kiichi Miyazawa, borrowed the money from the banks for its general election campaign funds.

Keidanren was the LDP's guarantor of the loans. At the time, then Keidanren Chairman Gaishi Hiraiwa vowed to take responsibility for LDP repayment of the loans.

In 1994, Keidanren announced it would stop acting as an intermediary for political donations from major corporations to political parties in the face of strong public criticism that such donations were key sources of political corruption.

Keidanren officials said the upcoming meeting will be an exception, in view of the organization's intermediary role in the loans to the LDP.

LDP Assures of No Snap General Election

OW0611140895 Tokyo KYODO in English
1352 GMT 6 Nov 95

[FBIS Transcribed Text] Tokyo, Nov. 6 KYODO — The Liberal Democratic Party (LDP), the largest force in Japan's tripartite ruling coalition, has assured the two other governing parties that it will not seek a snap general election even if Diet debate on a controversial

bill causes confusion, coalition sources said Monday [6 November].

The assurance was given informally to ensure cooperation of the coalition partners, Prime Minister Tomiichi Murayama's Social Democratic Party (SDP) and LDP splinter group New Party Sakigake, in having the bill pass the current Diet session ending Nov. 13, the sources said.

The bill is designed to revise a law on religious groups.

The SDP and Sakigake, led by Finance Minister Masayoshi Takemura, do not want any early general election, for which they think they are not prepared enough.

The LDP has also proposed that the Murayama cabinet, rather than any future administration, should settle the question of U.S. bases in Okinawa Prefecture, triggered by the rape of a local schoolgirl allegedly by U.S. servicemen, the sources said.

The LDP, headed by International Trade and Industry Minister Ryutaro Hashimoto, also told the two parties that the Murayama administration should take charge of drawing up the state budget for fiscal 1996 and passing it during the next Diet session opening in January, they said.

The SDP and Sakigake have accordingly agreed in principle to support an extension of the current parliamentary session, they said.

The ruling parties are discussing a proposal to extend the term by about 40 days to ensure the revision of the religious groups law.

A special House of Representatives panel is currently debating the revision bill that calls for stricter control over religious groups following a series of crimes blamed on the doomsday cult Aum Shinrikyo.

But the main opposition Shinshinto (New Frontier Party) is opposed to the bill, objected by the lay Buddhist organization Soka Gakkai that supports the party, and is demanding the Diet session end as scheduled.

Ozawa Hospitalized on 3 Nov Due to 'Fatigue'

OW0711152895 Tokyo YOMIURI SHIMBUN
in Japanese 6 Nov 95 Evening Edition p 2

[FBIS Translated Text] Shinshinto [New Frontier Party] Secretary General Ichiro Ozawa checked into a Tokyo hospital on 3 November, Ozawa's close associates said on 6 November.

They said Ozawa was hospitalized on the morning of 3 November, right after his trips to Okinawa and Saga

on 1 and 2 November, and he is reportedly claiming "fatigue."

On 6 November, Ozawa submitted a medical certificate to the party secretariat with a letter saying "I need to take a rest to recover from overstrain." The Shinshinto secretariat reported this to the top party leaders on the morning of 6 November, but it is still unknown when Ozawa can leave the hospital.

Ozawa was on a national tour since early September to prepare for the next lower house election and to express his appreciation for the Shinshinto's victory in the latest upper house election.

North Korea

Congress Said To Urge Japanese Missile Plan

SK061111495 Pyongyang Korean Central Broadcasting Network in Korean
1100 GMT 4 Nov 95

[FBIS Translated Text] According to a report, the 29 October issue of the Japanese SANKEI SHIMBUN exposed that the U.S. Congressional Investigation Department requested Japan to push ahead with the theater missile defense plan under the pretext of the potential missile threat from such a country as North Korea. SANKEI SHIMBUN said that the U.S. Congressional Investigation Department made this request on 28 October in a report entitled "The Theater Missile Defense (TMD), Technological Cooperation, and the Significance of Japan-U.S. Relations."

The paper noted that the report, which was prepared for U.S. congressmen, raved about the proliferation of weapons of mass destruction, particularly ballistic missiles, after the end of the Cold War, and requested Japan to push ahead with the TMD plan under the pretext of the potential missile threat from such a country as North Korea and for the security of the Asian region.

The paper said that although the Japanese Government is taking a position at present that Japan is presently in a stage of investigation and research to make a political judgment on this plan, the United States will make stronger request urging Japan to participate in and introduce the TMD system, and that Japan will begin a full-fledged discussion on this matter.

The paper exposed that the Japan Defense Agency supports the TMD plan and is accelerating research, forming a ballistic missile defense research department last April, and that the Japanese and U.S. Governments agreed to exchange an official document aimed at protecting the secret for the research for the TMD plan.

Correction to Report on Talks With KEDO

SK0711004495 Pyongyang KCNA in English
1019 GMT 6 Nov 95

[Corrected version of SK0611102995; correcting warning line; explanatory note below describes other difference from initial FBIS version]

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — Negotiations between the Democratic People's Republic of Korea and the U.S.-led KEDO (Korean Peninsula Energy Development Organization) which began in New York on September 16 [as received] for an agreement concerning the provision of light water reactors [LWR] are still under way. [adding editorial notation after date]

Progress has been made in the discussion of some outstanding issues including the costs of the infrastructure construction, the issue which has been raised for the provision of the LWR project on a turnkey basis, under the DPRK-U.S. framework agreement reached on October 21, 1994, and the DPRK-U.S. joint press statement on June 13, 1995.

The sides are narrowing differences in other technical matters to be included in an agreement concerning the provision of LWRs and wording the agreement at the final stage.

KEDO Team Leaves Pyongyang

SK0711090295 Pyongyang KCNA in English
0854 GMT 7 Nov 95

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — The 2nd site survey team of the U.S.-led KEDO (Korean Peninsula Energy Development Organization) left here today by plane.

The team arrived here on October 24 and worked to survey the site for light water reactors to be offered to the Democratic People's Republic of Korea by the U.S. under the framework agreement between the DPRK and the United States.

U.S.-South 'Joint Landing Exercise' Denounced

SK0411044695 Pyongyang KCNA in English
0441 GMT 4 Nov 95

["U.S.-South Korea Joint Landing Exercise" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, November 4 (KCNA) — The U.S. forces and the South Korean puppet army staged a provocative joint landing exercise in the waters off Pohang on Nov. 2 with over 3,000 Marines, helicopters, armoured vehicles and other

military equipment, according to a radio report from Seoul.

The landing exercise coincided with the "Foal Eagle 95", "Hwarang" and other war exercises. It was staged for "landing operation deep behind the enemy line in case of emergency."

This proves that the U.S. imperialists and South Korean warmaniacs are stepping up war preparations against the North in a very dangerous stage.

Press Statement by ROK Ship's Captain Reported

*SK0411015495 Pyongyang Korean Central
Broadcasting Network in Korean
2204 GMT 3 Nov 95*

[*"Press statement" by Pak Chae-yol, captain of the South Korean 86 Usong, issued on 3 November; place not given — read by announcer*]

[FBIS Translated Text] Pak Chae-yol, captain of the South Korean 86 Usong ship, which was captured by a naval patrol boat of the Korean People's Army after illegally intruding deep into the territorial waters of the northern half of the Republic, issued a press statement on 3 November in connection with the fact that the South Korean authorities are aggravating North-South relations by abusing the 86 Usong issue for political purposes.

The press statement read:

I am Pak Chae-yol, captain of the 86 Usong. As elucidated in my previous news conference, our ship was captured after infiltrating the territorial waters of the North by a naval patrol boat of the People's Army in self-defensive measures.

I believe that the 86 Usong issue can easily resolve itself if the South Korean authorities have a correct attitude toward the North. The South Korean authorities are now fostering anti-North confrontation by abusing the 86 Usong issue for political purposes. Truly, this is amazing and beyond understanding. I believe that the South Korean authorities lack any good reason to slander the North regarding the issue of our ship.

The 86 Usong incident did not take place in the high seas, or in the territorial waters of the South, but took place as our ship was fleeing to the South without responding to the People's Army naval patrol boat's check after illegally infiltrating deep in the territorial waters of the North.

From the beginning, the South Korean authorities themselves commanded our ship by radio. Therefore, I can say our ship and the South Korean authorities are totally responsible for the 86 Usong incident.

Therefore, the South Korean authorities should realize their wrongdoing and beg the North's pardon, because they have further aggravated the confrontation between the North and South and keyed up tension by committing such an incident.

I consider this to be the attitude for smoothly settling the 86 Usong issue and improving North-South relations. How can our 86 Usong issue be resolved if they commit a provocation against the North under a preposterous pretext like the saying in which the thief cries "thief!"?

Speaking of the North-South confrontation issue, of course, the 86 Usong incident is not the first such instance. Originally, this has been an issue of contention for many days due to the successive politicians' anti-national and anti-reunification policy.

Over the past years, whenever the South Korean ships were captured in the territorial waters of the North, politicians used it for anti-North propaganda purposes, intensifying confrontation and aggravating North-South relations.

I believe that the South Korean authorities' remarks today are based on such a policy of confrontation. Therefore, the policy of confrontation with the North should be revised in order to improve North-South relations. Also, the issue of our ship is a matter to which the South Korean authorities should frankly admit their wrongdoings, and should apologize to the Republic.

As a party to crime, our sailors should naturally be handled according to the law of the North. Nevertheless, the Republic has taken care of the casualties that resulted from the spot where the ship was captured based on the sacred compatriotic feelings and humanitarian spirit. Also, we have been given consideration so that we can stay, without inconvenience, in a good condition. We are well aware that this is due to General Kim Chong-il, who has opened a true world of benevolent politics.

Our sailors are now sincerely extending thanks to the authorities of the North for their magnanimity and compatriot-loving hospitality. There is a proverb that virtuous acts should be repaid with virtuous acts. The South Korean authorities' act is an act running counter to humanitarian morality.

The South Korean authorities are fostering anti-North confrontation, slandering the North over this issue. This is, in fact, a behavior which can only be conducted by those who want neither the smooth solution of the issue nor improvement of North-South relations.

All of our sailors are now enraged over the South Korean authorities' remarks and actions. In the name

of the sailors of the 86 Usong, I declare once again that, if the South Korean authorities truly want a smooth solution of the issue of our ship, they should not groundlessly pick a quarrel with the North, but admit to and apologize for their wrongdoing as soon as possible.

Sailors of the 86 Usong expect South Korean coworkers and people to condemn their authorities' wrong behavior regarding the issue of our ship.

Captive Crewmen Criticize South Regime

SK0711031795 Pyongyang KCNA in English
0251 GMT 7 Nov 95

[*"S. Korean Crewmen Denounce Authorities' Political Abuse of Ship '86 Usong"* — KCNA headline]

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — The crewmen of the South Korean ship "86 Usong" held a roundtable conversation. The ship illegally intruded deep into the territorial waters of the northern half of Korea before being captured by a patrol boat of the Navy of the Korean People's Army on May 30. The crewmen expressed full support to a press statement of the captain, Pak Chae-yol, and demanded that the South Korean authorities promptly abandon the idea of trying to politically abuse the issue of the ship "86 Usong".

Pak Chae-yol in his statement dated November 3 declared in the name of the crewmen that if the South Korean authorities truly want a smooth solution to the ship issue, they must not provoke the North groundlessly but admit their wrongdoing and apologize for it at an early date.

Chief Engineer Kim Pu-kon at the roundtable conversation said that the inter-Korean relations cannot be relaxed with nonsensical attitude reversing black and white. The South Korean authorities must repent of their wrongdoing over the crimes of the crewmen of "86 Usong", for which they are also responsible, make an apology and express thanks to the North, he noted.

Deputy Chief Engineer Yi Pyong-so said: The South Korean authorities are seeking their political aim, ignoring our wish to meet our parents and brothers and sisters as soon as possible.

A crewman Kim Yong-ha said: It is ridiculous of the South Korean authorities to have abused the issue of the ship for the "issue of inter-Korean relations". The South Korean authorities compelled us to catch fish illegally.

Hanchongnyon on Anti-South Regime Struggle

SK0711113695 Pyongyang KCNA in English
0740 GMT 7 Nov 95

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — Chong Tae-hong, chairman of the third-term South Korean Federation of University Student Councils (Hanchongnyon), in an interview with the South Korean monthly KIL, said that as the fascist clique are defending those involved in the May 18 bloodbath, "Hanchongnyon" cannot but punish the criminals and that it will form a 3,000-strong death-defying group to arrest and punish the traitors Chon Tu-hwan and No Tae-u, said the November edition of the magazine.

Noting that the Kim Jong-sam's is not a "government" for the people, he declared that the third-term "Hanchongnyon" will be a foundation of the fourth- and fifth-term "Hanchongnyon" in the struggle for overthrowing the "civilian regime."

NDFSK Members Visit Sinchon Museum

SK0711113095 Pyongyang KCNA in English
0746 GMT 7 Nov 95

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — Chief Yi Chong-sang and other members of the Pyongyang mission of the National Democratic Front of South Korea (NDFSK) visited the Sinchon Museum.

They saw exhibits, being briefed on the unheard-of brutal killings of many patriots and peoples by U.S. imperialist aggressors in Sinchon, South Hwanghae Province, during the days of the strategic retreat of the People's Army in the fatherland liberation war.

After visiting the museum, Yi Chong-sang said that the materials and evidences showing the U.S. imperialists' brutal killings of many peoples gave a special edge to his indignation.

"The U.S. imperialists are heinous murderers and the sworn enemy of our nation, who imposed all kinds of misfortune and sufferings on our people," he said. "They will have to pay dearly for the misfortunes, sufferings and massacres."

"We, firmly convinced that, under the wise leadership of General Kim Chong-il, the greatest brilliant commander and the lodestar of national reunification, we will surely win, will move up the day of reunification without fail and make the U.S. imperialists and their stooges, the traitors, pay dearly for the blood shed by our people," he stressed.

'Traitor Kim Yong-sam' Urged To Clarify Fund

SK0711054695 Pyongyang KCNA in English
0318 GMT 7 Nov 95

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — The South Korean opposition Democratic Party on November 6 urged the traitor Kim Yong-sam to clarify the details of "presidential election support fund" and make a thorough investigation into the "fifth and sixth republics" forces, according to a radio report from Seoul.

The Democratic Party held its supreme committee meeting at the "National Assembly" and sent the traitor Kim Yong-sam an 18-point open questionnaire concerning the "secret fund scandal" of the traitor No Tae-u.

It demanded a strict investigation into a politician of an opposition party involved in the secret fund scandal and the details of the support fund the traitor Kim Yong-sam received from No Tae-u at the time of "presidential election" of 1992.

It also demanded an investigation into Kim Chong-pil's suspected deposit of 10 billion won.

The spokesman for the party released a statement urging the probe into the total amount of the illicit money during the Chon Tu-hwan's "regime" and the amount of the fund supplied to the traitor No Tae-u.

On November 4, the opposition National Congress for New Politics declared that it would organise a nationwide protest at the time of inaugural meetings of district party committees which are due to be held from November 20 if the "government" and the "Democratic Liberal Party" refuse to open to the public the details of the secret fund of the traitor No Tae-u and the "presidential election" support fund the traitor Kim Yong-sam received.

KCNA Links Kim Yong-sam With No Scandal

SK0511094895 Pyongyang KCNA in English
0831 GMT 5 Nov 95

[FBIS Transcribed Text] Pyongyang, November 5 (KCNA) — A secret fund scandal of the traitor No Tae-u, the dictator of the "Sixth Republic," is causing a big public and political stir in South Korea.

The scandal began to be brought to light in early August when So Sok-chae, the then-puppet minister of government administration, revealed the secret fund problem of a former "president."

On the script written by the traitor Kim Yong-sam, So Sok-chae told reporters in implicit terms that one of former "residents" asked him to dispose of secret bank

accounts amounting to 400 billion won and promised him a commission of 20 to 30 percent.

When this caused a big stir, Kim Yong-sam blamed So Sok-chae for "spreading a false rumour" and dismissed him as "minister of government administration" in an effort to prevent further revelation of the scandal, for fear that the investigation into the fund should be directed against himself.

But, Pak Kye-tong, a "lawmaker" from the opposition Democratic Party, revealed that No Tae-u has 400 billion won deposited in 40 secret bank accounts in others' names since 1993, the year after Kim Yong-sam's inauguration.

He added that No Tae-u raked up at least 1,600 billion won of secret fund.

Yi Hyon-u, who was "chief of the security service of Chongwadae" and "director of the Agency for National Security Planning during the 'Sixth Republic'" as a right-hand man of No Tae-u, No raked up secret fund. [sentence as received]

Kim Yong-sam is to be beaten with the same stick, together with No Tae-u. Kim Yong-sam was born by the "Sixth Republic" regime and could become puppet president thanks to the money he received from No. It has been brought to light that though he advocated "real-name monetary transaction system" he kept a colossal secret fund of No Tae-u in hiding.

Kim Chong-pil finds himself in a poor lot as he also received secret fund from No. Kim Tae-chung admitted on October 27 that he received two billion won from No at the time of the 1992 "presidential election," and added that probably Kim Yong-sam received hundreds of billions of won from No.

The Democratic Party, which was the first to expose the scandal, is strongly demanding that No Tae-u as well as all that received secret fund from him, including Kim Yong-sam, Kim Tae-chung and Kim Chong-pil, be brought to trial.

The truth behind the secret fund scandal of No Tae-u has just begun to be revealed. The whole picture of it has not been disclosed due to smokescreen made by the traitorous "civilian" regime.

The whole picture of the scandal will be laid bare and the principal offenders will face deserved punishment as a result of the fierce struggle of the South Korean people determined to oust Kim Yong-sam, who is defending No's irregularities.

Kim Yong-sam Accused of Confining Scandal to No
SK0611053595 Pyongyang KCNA in English
0527 GMT 6 Nov 95

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — The Central Committee of the National Democratic Front of South Korea [NDFSK] published a statement on Saturday [4 November] concerning the "secret fund" of the traitor No Tae-u, the dictator of the "Sixth Republic", which is touching off the anger of people of broad segments and driving the political camp and the whole society into a great confusion and the whirlwind of catastrophe in South Korea as days go by, the Seoul-based radio Voice of National Salvation said.

The statement said that No Tae-u's "secret fund scandal" is the worst irregularities by government power, without precedent in amount, crafty collecting method and anti-social, anti-democratic use of fund. It has fully revealed the real situation and chronic disease of South Korea's politics depending on the dictatorial power over the people, slush funds between politicians and businessmen and trickery reversing black and white, it added.

Nevertheless, the traitor Kim Yong-sam is trying to confine No's "secret fund" scandal to him alone, in a cunning trick to avoid the point of this shocking crime heading towards him. This scandal is a heinous crime of the "government of the Sixth Republic" and its successor the present "civilian government".

The statement went on:

The Kim Yong-sam "civilian" dictatorial regime is a haven for the heinous criminal No Tae-u. Kim Yong-sam is a foul accomplice connected with No for power and money. The longer corrupt and incompetent Kim remains in power, the deeper South Korean society will go into the pond of depression, confusion and corruption and the more the people's misfortune and disaster will grow.

The traitor Kim Yong-sam must squarely see the minds of the angry people, arrest, interrogate and prosecute the military fascist No Tae-u, make public the "presidential election" fund he received from No and step down at once, as unanimously demanded by the broad segments.

Assemblyman on Kim Yong-sam, No Tae-u Link
SK0611094295 Pyongyang KCNA in English
0921 GMT 6 Nov 95

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — Kim Ok-tu, a "national assemblyman" from the opposition National Congress for New Politics of South Korea [NCNP], said on November 4 that the traitor Kim Yong-sam met No Tae-u on five occasions

since September 18, 1992 to discuss with him financial affairs and the transfer of "power", according to a radio report from Seoul.

Kim Ok-tu said he was told that Kim Yong-sam was invited by No Tae-u on October 2, 1992 to discuss with him the "presidential election" fund, and met him on four other occasions till the "presidential" inauguration and that a fabulous fund for transferring "power" was handled at a secret meeting in "Chongwadae" [presidential offices] on February 24, 1993.

Kim and No have maintained relations of honeymoon through right-hand men besides their official meetings, he said, vowing to take a countermeasure in case Kim Yong-sam does not make clear this fact of his own accord.

Seoul Radio Cited on No Tae-u's 'Secret Fund'

SK0611100895 Pyongyang KCNA in English
0936 GMT 6 Nov 95

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — The Seoul-based Munhwa Broadcasting Corporation of South Korea on November 3 reported that the traitor No Tae-u ran a "secret fund team" in secrecy during his office.

During the "Sixth Republic", the "Chongwadae" [presidential offices] was a "treasure store" in which hundreds of millions of won or billions of won was stored a day, the radio said, and noted: No Tae-u formed and ran a "secret fund team" in secrecy at the "security service of Chongwadae" and received black money directly from presidents of business groups.

Yi Hyon-u, the then "chief of the security service," was related to most cases of raising the secret fund, and even controlled some of it, the radio said. It reported that No Tae-u and the "chief of the security service" spent more time raking up and controlling black money than "administering state affairs".

South Citizens Federation Demands Punishment

SK0611095595 Pyongyang KCNA in English
0933 GMT 6 Nov 95

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — The Citizens Federation for Economic Justice of South Korea in a statement on November 3 said that many business enterprises are related to the "secret fund case" of the traitor No Tae-u, according to a radio report from Seoul. This shows that the utterances of the businessmen that they had no personal ties with politicians are a lie, the statement noted.

The leading comprador businessmen asked for an early settlement of the "secret fund case", it said. "This is as good as asking for reducing the investigation."

It demanded that the businessmen who gave money to the traitor No Tae-u be punished by law.

Kim Yong-sam Criticized for Foreign Debt

*SK0611104495 Pyongyang Korean Central Broadcasting Network in Korean
0754 GMT 5 Nov 95*

[Unattributed talk: "South Korea Is Saddled With a Heap of Debts"]

[FBIS Translated Text] According to data recently released by the puppet ministry of finance and economy, as of 30 June, South Korea owed foreign countries \$70.2 billion, ranking first in the world for its foreign debt in absolute terms compared with its territory, population, and economic scale.

The above data shows that the debt increased as much as \$27.6 billion in the past two-and-a-half years following the inauguration of traitor Kim Yong-sam.

The amount of South Korea's foreign debt officially announced by the puppets is extremely underrated, and the actual amount is much larger.

When adding a \$25 billion foreign debt saddled on South Korean companies' overseas branches and \$5 billion worth of overseas securities issued in foreign countries by South Korean enterprises, the South Korean puppets actually owe foreign countries over \$100 billion.

The facts show that South Korea's overseas debts have unprecedentedly increased explosively since the Kim Yong-sam ring came to power. South Korea's foreign debt has tremendously and rapidly increased entirely because of traitor Kim Yong-sam's flunky and nation-selling economic policies.

Traitor Kim Yong-sam has been engaged in the nation-selling economic opening maneuver even more desperately than the preceding military dictators. Saying that there was no choice but opening, traitor Kim Yong-sam opened wide all South Korean markets to foreign monopolistic capitals.

The Kim Yong-sam ring has expended the opening in the financial field, too. In South Korea, money is still lent at 10 percent or higher interest, much higher than in capitalist countries. However, the Kim Yong-sam ring liberalized the management of foreign currency under the pretext of opening up, without taking this backwardness of the South Korean financial structure

into consideration, thus enabling large business groups to borrow money from foreign countries.

As a result, commercial loans to enterprises which used to be illegal are now allowed, and bank loans in foreign currency have increased. Accordingly, South Korean businessmen raise funds from the financial markets of advanced countries which put their money out at a lower interest than South Korean banks. On the other hand, financial monopolizers pursue more and more profits by running money lending business in South Korea where the interest is high.

South Korea's foreign debt, which has been increasing explosively because of the Kim Yong-sam ring's flunky and nation-selling policy, has brought severe consequences in the South Korean economy as a whole. The huge foreign debt is driving the South Korean economy to a general ruin.

South Korea's foreign debt of over \$100 billion forces South Korea to pay nearly \$10 billion interest to foreign monopolistic capitalists every year. Added to the new current economic slump of the capitalist world, and to the continual expansion of South Korea's trade deficits, this is driving the South Korean economy to a great ruin.

In addition, South Korea's huge foreign debt has weakened the international competitive strength of the South Korean economy, making it difficult for South Korea to export its products. The international competitive strength of products processed and exported by South Korea has weakened as years go by.

In a recent report, the International Management Development Institute in Switzerland stated that the international competitive strength of the South Korean economy has rapidly weakened since 1993, mainly because enterprises depend largely upon loans from financial organizations.

The ever-escalating foreign debt of South Korea has dealt a deadly blow to South Korea's export-led colonial economy that focuses on processing and assembling trade on commission. Accordingly, there is growing concern in South Korea about the explosively increasing foreign debt.

Gossip on the ruinous foreign debt which prevailed in the early eighties is heard again, as well as loud voices denouncing the traitorous Kim Yong-sam clique that has made South Korea be reduced to a servant with heavy debts by practicing its policies that are harmful to the country.

The Kim Yong-sam ring, which has made South Korea saddled with a greater heap of debts to destroy its

economy and has made the people's living fall into extreme distress, must be eliminated as soon as possible.

AI Member Demands Abolition of South NSL

*SK3110102095 Pyongyang KCNA in English
1015 GMT 31 Oct 95*

[FBIS Transcribed Text] Pyongyang, October 31 (KCNA) — Trin Smith, a member of the Amnesty International [AI], sent letters to the traitor Kim Yong-sam and the puppet minister of justice on October 19 in demand of the abolition of the "National Security Law" [NSL] of South Korea.

He in the letters expressed fear that a large number of South Korean people were arrested by the fascist law and said that such arrest and detention by the South Korean authorities cannot be justified by anything.

He strongly urged the South Korean "regime" to stop tortures of prisoners, ensure medical treatment for them and lawyers' and their families' visit, abolish the "NSL" and give the freedom and right of the speech and association according to the international human rights standard.

Overseas Koreans Criticize Premier's Remarks

*SK0611101695 Pyongyang KCNA in English
0919 GMT 6 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — Korean residents in Japan lashed at the Japan prime minister's utterances intended to legalize the "Korea-Japan Treaty of Annexation", at a Chiba prefectural people's meeting which was held under the subject "Japan's Aggression on Korea and the Present of Korean Residents in Japan" on October 24.

Pyon Chae-su, a teacher of Korean University, said at the meeting that the Japan prime minister's remarks intended to legalize the "Korea-Japan Treaty of Annexation" have been touching off the anger of the Korean nation. "The Japanese authority must have a correct understanding of the historical facts, make an apology and compensation and rectify the policy of discriminating the Korean residents in Japan," he said.

A special resolution adopted at the meeting said that Japan Prime Minister Tomiichi Murayama's remarks are a wrong deed to justify the Japanese imperialists' colonial domination over and aggression on Korea and, furthermore, deny the issue of human rights of the Korean residents in Japan.

The "Korea-Japan Treaty of Annexation" was forced by Japan's military pressure encroaching upon the sovereignty of Korea at that time, the resolution pointed

out. It strongly demanded the total withdrawal of Murayama's utterances and his apology.

Japanese Delegation Arrives in Pyongyang

*SK0711103295 Pyongyang KCNA in English
0959 GMT 7 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — A Japanese delegation of the East Asia Trade Research Board led by its President Tetsuji Honma arrived here today by air.

Russian Paper Carries Article Praising North

*SK0711111895 Pyongyang Korean Central
Broadcasting Network in Korean
0100 GMT 6 Nov 95*

[FBIS Translated Text] The 44th edition of PATRIOT, a Russian newspaper, has carried an explanatory article by (Mirkalov), a Russian writer and a retired public security major general, on the great leader [widaehan yongdoja] Comrade Kim Chong-il's immortal classical work "The Workers Party of Korea [WPK] Is the Great Leader [widaehan suryong] Comrade Kim Il-song's Party."

The writer points out in the article: I have been carefully watching all events in the DPRK. What I am most shocked in the entire world fraught with confrontation and military conflicts is the fact that the DPRK is stable and has a bright future. I pay my deep respects to the WPK, which is boundlessly loyal to the chuche idea and which is building a just society that seeks the noblest ideals and reason.

When reading Comrade Kim Chong-il's work, I can see not only the greatness of Comrade Kim Il-song, who lives eternally, and but [Kim Chong-il's] aspirations for continuously defending and maintaining his excellent legacies and embodying them into reality.

This itself proves Comrade Kim Chong-il's extraordinary character and his insight to scientifically see the essence of a phenomenon and its prospects.

No doubt, Comrade Kim Il-song most excellently resolved the issue of inheriting the revolutionary cause.

The work stresses that the WPK thoroughly liquidated factionalism, which had greatly harmed the revolution in its history, and prevented modern revisionism and various other opportunist trends from infiltrating, adding: This means that it ensured the unity and cohesion of party ranks and their integrity and won a historic victory in establishing the monolithic ideological system.

In the work, Comrade Kim Chong-il has pointed out: If a working-class party has no sense of organization and

discipline, it will not be able to lead the revolution but be reduced to a powerless and nominal party.

Comrade Kim Chong-il's clairvoyant words show that it is very important for communists of various countries to heighten their vigilance under the present circumstances in which reactionism and terrorism are prevalent.

The DPRK is the torchlight of the entire world. One may groundlessly find fault with this country, pinpoint its shortcomings, and cause disputes. However, the most important thing is that the DPRK is a model from which everyone should learn.

What is the basic principle? In this country, only those who work are provided with justice and truth. In this country, there is a powerful regime, a regime for the happiness of the working people. There is also noble morality, the most people-oriented socialist and communist policy; universal education; a specialized public health plan anyone can benefit from; a planned economy; the lack of jobless people; the promotion of the workers' health; care for children; and numerous other good things. There are no such things in any capitalist country. The DPRK is truly a torchlight to Russian communists and workers.

In the work, Comrade Kim Chong-il has stressed: The socialism of our country thoroughly defends and ensures the popular masses' independence and excellently realizes their independent demands. All members of the society exercise equal rights in political, economic, and cultural lives and enjoy valuable and worthwhile lives, free from all forms of social uneasiness and worries about lives.

He has also pointed out: If it is for the party to correctly inherit the leader's [suryong] ideas and leadership, continuity must be ensured thoroughly in party building. If no continuity is ensured in party building, will the lineage of the revolution be severed, betrayers of the revolution emerge, and the leader's [suryong] cause, the party's cause, be ruined. This is a serious lesson history has taught.

This is a guarantee for the future.

The DPRK people and their party, that uphold Comrade Kim Chong-il as the leader [suryong], have new power. How important this is for the happiness of the future!

The dignity of the DPRK and its leader [suryong] casts its ray throughout the world.

The independence of the country and the nation is the basis of fair international relations, and an independent foreign policy is the most just and principled foreign policy.

Any country or nation, big or small, developed or less developed, is an equal partner in the international community and has independent and equal rights. If all countries and nations maintain independence and respect each other's independence, fair international relations can be developed, and a truly independent, peaceful, and friendly world can be built.

This idea of Comrade Kim Chong-il's is a great achievement in understanding and implementing the peace-loving policies of the socialist countries.

Comrade Kim Chong-il's great work presents the party and people practical tasks for the future. No doubt, these tasks cannot be carried out easily in building communism.

Comrade Kim Chong-il has pointed out: Our party's great achievements and valuable experiences in party building, party activities, and revolution and construction are the brilliant results of the revolutionary ideas of the respected and beloved leader [kyongaehanun suryong] Comrade Kim Il-song and his revolutionary leadership. They are also ever-lasting assets of our revolution that must be defended and maintained and inherited and developed generation after generation.

I sincerely wish the WPK and the DPRK and Comrade Kim Chong-il, their leader [suryong], successes in socialist, communist construction.

Papers Report on Work by Kim Chong-il

*SK0711053695 Pyongyang KCNA in English
0237 GMT 7 Nov 95*

[Names of publications as received]

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — The great leader Comrade Kim Chong-il's famous work "The Workers' Party of Korea Is the Party of the Great Leader Comrade Kim Il-song" was carried by the Madagascan paper IMONGO VAOVAO and the Algerian paper EL OUMA.

The state-run radios of Trinidad and Tobago and Barbados reported the work.

Articles explaining the work were carried by the Russian paper PODMOSKOVIYE No. 43 and the Madagascan radio RTM.

RTM said that the work of his excellency Kim Chong-il is a militant banner for firmly defending the revolutionary character of the WPK and enhancing its role in every way and an immortal encyclopedia illuminating the road ahead of the revolutionary parties.

An article explaining his work "giving priority to ideological work is essential for accomplishing socialism"

was carried by the Pakistani paper SHERI and an article explaining his work "socialism is a science" by the Indian paper BITI WAKIL.

PRC Delegations Depart Pyongyang 28 Oct

'Famous' Artistes Delegation

*SK3110111295 Pyongyang Korean Central Broadcasting Network in Korean
1105 GMT 28 Oct 95*

[FBIS Translated Text] The Chinese famous artists' group led by (Lu Yubang) returned home by plane on 28 October. Kim Chong-ho, vice minister of the Culture and Art Ministry, as well as the counselor of the PRC Embassy in our country, saw off the group at the airport.

CPC Cadres' Delegation Departs

*SK3110101695 Pyongyang Korean Central Broadcasting Network in Korean
1300 GMT 28 Oct 95*

[FBIS Translated Text] The CPC cadres' delegation led by Wang Taihua, alternate member of the CPC Central Committee and deputy secretary of the CPC Anhui Provincial Committee, departed for home today by train.

Former CPV Delegation Departs

*SK3110100295 Pyongyang Korean Central Broadcasting Network in Korean
1104 GMT 28 Oct 95*

[FBIS Translated Text] A delegation of the former Chinese People's Volunteers [CPV] led by Colonel General Shi Yuxiao, political commissar of the Guangzhou Military District of the PRC People's Liberation Army, returned home by plane on 28 October. The delegation was seen off by Kim Kwang-chin, first vice minister of the Ministry of the People's Armed Forces; Choe U-chin, vice minister of the Ministry of Foreign Affairs; Sin An-bang, vice chairman of the Pyongyang Municipal Administrative and Economic Committee; and Qiao Zonghuai, PRC ambassador to our country.

Thai Liberal Justice Party Group Departs 28 Oct

*SK3110095195 Pyongyang Korean Central Broadcasting Network in Korean
1100 GMT 28 Oct 95*

[FBIS Translated Text] A friendship visiting group from Thailand led by Thaveesak Phonsudga, member of the Executive Committee of the Thai Liberal Justice Party, returned home on 28 October. Chi Chae-yong, vice director of a department of the Central Committee of the Workers Party of Korea, saw off the group at the airport.

Thai University Delegation Arrives in Pyongyang
*SK0111105895 Pyongyang KCNA in English
1037 GMT 1 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 1 (KCNA) — A delegation of Chulalonkorn University of Thailand led by its Vice-President Rabin Rut-tanaphani [spelling of university and vice president's names as received] arrived here today.

It was met at the airport by Vice-President of the Chuche Idea Academy Kim Tuk-su.

Parliamentary Union Delegates Return From Romania

*SK0111013395 Pyongyang Korean Central Broadcasting Network in Korean
1300 GMT 29 Oct 95*

[FBIS Translated Text] A DPRK parliamentary Union delegation returned home yesterday by airplane after attending the 94th general meeting of the International Parliamentary Union held in Romania.

Finance Minister Attends Algeria Envoy Reception

*SK0111042795 Pyongyang KCNA in English
0404 GMT 1 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 1 (KCNA) — Algerian Ambassador to Korea Hanafi Oussedik gave a reception on October 31 on the occasion of the 41st anniversary of the start of the revolution in Algeria.

Invited there were Chong Chun-ki, chairman of the Committee for Cultural Relations With Foreign Countries, Yun Ki-chong, minister of finance and chairperson of the Korea-Algeria Friendship Association, Choe Chin-su, deputy department director of the Central Committee of the Workers' Party of Korea, and other officials concerned.

Speeches were exchanged at the reception.

Group Head's Speech at UNESCO Meeting Noted

*SK0611101595 Pyongyang KCNA in English
0929 GMT 6 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — The permanent representative of the Democratic People's Republic of Korea to the UNESCO spoke at its 28th general meeting as the head of the DPRK delegation to the meeting.

He reaffirmed that the DPRK would as ever make positive contributions to the work of realising the noble idea of the UNESCO.

He said:

From the first days of its admission into the UNESCO, the DPRK has supported and remained faithful to its idea.

Notably, Comrade Kim Chong-il, the supreme leader of our Republic, recently signed the draft declaration of heads of state and government which will be published on the occasion of the 50th anniversary of the foundation of the organisation.

This confirms the DPRK's commitment to the idea and purpose of the UNESCO.

We warmly welcome its activities for the development of science, technology, education and training and the use of reclaimed energy, particularly, solar energy.

We will take an active part in the world "solar summit" program of the organisation.

He further said:

The worldwide concern for environment is rapidly growing. Under this condition, it is important to further increase the function of the IOC and give financial guarantee to it.

In its activities, the UNESCO should pay greater concern to the work of ensuring diversified culture and promoting intrinsic characters of history and culture of different regions and nations and customs of peoples.

Abnormal incidents — poverty and destitution, prevalent aids and drugs, violence and human rights abuses, especially, religious and national disputes and conflicts which are worsening on the planet after the end of the Cold War — require the UNESCO to increase its function and role for justice and peace.

In this connection, we consider that in its activities, the UNESCO should pay deep attention to the removal of legal factors which are still violating elementary human rights and hindering understanding and leniency in some regions, in view of the spirit of the charter of the UNESCO and the world declaration on human rights the keynote of which is freedom of idea and ideal, the freedom of expressing one's will, the freedom of information and the freedom of educational activities.

We express deep apprehensions over the fact that not a small number of news media in the world are directing greater attention to violent and immoral events, assault, murder, hatred, drug and sex rather than just and unbiased, noble and intelligent contents. We consider that the UNESCO should pay due attention to this and make contributions to the establishment of new ethical standards conforming to the nature of independent and creative human beings.

We are following the process of reform of the organisation with deep attention. It is our view that in the restructuring of its substructures, the UNESCO should direct due attention to providing all its member nations with equal positions on the principle of mutual respect, irrespective of the size of territory and the level of development.

In particular, we consider that recent proposals of some countries for applying the principle of a rotation system at the Executive Council and intergovernmental organisations must be actively fostered and developed as they are fine ones for ensuring democracy based on justice at the organisation, the head of the DPRK delegation stressed.

Kim Chong-il Theory Stresses Party Organization

*SK0511101695 Pyongyang KCNA in English
0845 GMT 5 Nov 95*

[*"WPK, Militant Party With Strong Sense of Organisation and Discipline" — KCNA headline*]

[FBIS Transcribed Text] Pyongyang, November 5 (KCNA) — The great leader Comrade Kim Chong-il in his famous work "The Workers' Party of Korea Is the Party of the Great Leader Comrade Kim Il-song" clarified the immortal exploits of the respected leader Comrade Kim Il-song who had strengthened and developed our party into a militant party with a strong sense of organisation and discipline.

Comrade Kim Chong-il in his work elucidated the wisdom of the leadership of the great leader Comrade Kim Il-song who had strengthened and developed our party into an iron party with the sense of organisation and discipline, says NODONG SINMUN in a signed article today.

The wisdom of the leadership of the great leader Comrade Kim Il-song finds its expression in having correctly applied the principle of democratic centralism in party building and activity, enhanced the function and role of party organisations and intensified the party life of the members, the paper points out, and goes on:

Thanks to his wise leadership a strong discipline by which the whole party moves as one and a revolutionary trait of reporting and dealing in time [with] the important principled affairs arising in party work and activity and unconditionally accepting and implementing the decisions and instructions of the party have been established in our party.

A revolutionary system of party life has been firmly established in our party and the party life of the members has been put on a regular basis and has become

a part of their daily life, so that the trait of working and living in reliance on the party organisations with a high degree of party organisational consciousness has been displayed among all cadres and party members.

Comrade Kim Chong-il in his work made clear the theoretical and practical matters in the efforts to strengthen and develop the working class party into a militant party.

His party building theory of chuche powerfully encourages the revolutionary parties and people to the struggle to build a militant party strong in organisation and discipline with fresh determination and preparedness.

Kim Chong-il Thanks Relocators of Flood Victims

*SK0511104295 Pyongyang Korean Central Broadcasting Network in Korean
1200 GMT 3 Nov 95*

[FBIS Translated Text] Comrade Kim Chong-il, the great leader [widaehan yongdoja] of our party and people and the supreme commander of the Korean People's Army [KPA], sent messages of thanks to commanding officers and soldiers of the Korea People's Security Forces unit to which Comrade Kim Sun-kuk belongs and to Yang Song- min, public security officer of the Onchon County Public Security Department, for highly displaying the laudable ethos of army-people unity. Kim Chong-il also sent messages of thanks to Chae Wan-pok and Chong Song-hak, employees of the military academy to which KPA soldier Comrade Yi Chun-sok belongs, and to Yi Myong-ok, employee of the plant where Comrade Hwang Ae-suk works, for moving to socialist farms.

Commanding officers and soldiers of Kim Sun-kuk's unit displayed the laudable ethos of actively helping people in the flood-stricken areas resettle. Yang Song-min, public security officer of the Onchon County Public Security Department, has the lofty spirit of serving the people. He prepared materials on his own and built a 40-meter rope bridge with cooperative farm members and residents.

Chae Wan-pok and Chong Song-hak, employees of the military academy to which KPA soldier Comrade Yi Chun-sok belongs, and Yi Myong-ok, employee of the plant where Comrade Hwang Ae-suk works, actively supported socialist farms in the past. They have decided to settle down in socialist farms and loyally uphold the leadership of the respected and beloved [kyongaehanun] comrade supreme commander.

Meetings to convey the thanks of the KPA Supreme Commander Comrade Kim Chong-il were held in the units concerned. Functionaries concerned, soldiers, public security officers, and employees attended the meet-

ings. The thanks messages from the respected and beloved [kyongaehanun] comrade supreme commander were conveyed amid the enthusiastic applause of the attendees. Discussions expressing their resolve followed.

Kim Chong-il Thanks Workers of Garment Industry

*SK0611033795 Pyongyang KCNA in English
0318 GMT 6 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — The great leader Comrade Kim Chong-il extended thanks to officials and employees of the Pyongyang Garment Industry General Bureau on the occasion of the 20th anniversary of its foundation.

The officials and employees of the bureau overfulfilled their national economic plan every year over last two decades and thus greatly contributed to meeting the growing material and cultural demand of the people.

Kim Chong-il Sends Birthday Table to Researcher

*SK0611033995 Pyongyang KCNA in English
0320 GMT 6 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — The great leader Comrade Kim Chong-il sent a birthday table to seventy- year-old Prof. and Dr. Yi Kun-hwan, who is a researcher of the Office for the Study of Political Economy of the Economy Faculty of Kim Il-song University.

Yi Kun-hwan has been occupied with educational work and scientific research at the university for 40 odd years.

In this period he authored 20 odd textbooks and reference books, made public over 110 scientific papers and trained a large number of doctors, associate doctors and candidate associate doctors.

Kim Chong-il Sends Replies to Foreign Party

*SK0611045995 Pyongyang KCNA in English
0447 GMT 6 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — The great leader Comrade Kim Chong-il sent messages to party and state leaders of different countries in reply to their messages of greetings on the occasion of the 50th anniversary of the foundation of the Workers' Party of Korea.

Messages were sent to Comrade Jiang Zemin, general secretary of the Central Committee of the Communist Party of China; Comrade Fidel Castro Ruz, first secretary of the Central Committee of the Communist Party of Cuba, president of the Council of State and president of the Council of Ministers of the Republic of Cuba;

Norodom Sihanouk, king of Cambodia; Yasir 'Arafat, president of the State of Palestine, chairman of the Executive Committee of the Palestine Liberation Organisation and head of the Palestinian National Authority; 'Ali Akbar Hashemi-Rafsanjani, president of the Islamic Republic of Iran; Lansana Conte, president of the Republic of Guinea; Sani Abacha, head of state and commander-in-chief of the Armed Forces of the Federal Republic of Nigeria; Mohamed Abdelaziz, president of the Saharan Arab Democratic Republic and secretary general of the Polisario Front; France Albert Rene, president of the Republic of Seychelles; Obiang Nguema Mbasogo, president and head of state of the Republic of Equatorial Guinea and founder-chairman of the Democratic Party of Equatorial Guinea; Ali Hassan Mwinyi, chairman of the Revolutionary Party of Tanzania and president of the United Republic of Tanzania; and Liamine Zeroual, president of the Algerian Democratic and People's Republic.

In the messages Comrade Kim Chong-il expressed deep thanks for their warm congratulations and wishes on the 50th anniversary of the Workers' Party of Korea.

He also expressed the belief that the friendly and cooperative relations between the DPRK and those countries and between the WPK and those parties would grow stronger and develop.

'Famous' Kim Chong-il Work Published in Cuba

*SK0711053895 Pyongyang KCNA in English
0235 GMT 7 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — The great leader Comrade Kim Chong-il's famous work "The Workers' Party of Korea Is the Party of the Great Leader Comrade Kim Il-song" was published in booklet on November 3 by the Academia Publishing House of Cuba.

Monument to Kim Il-song Guidance Built

*SK0711053395 Pyongyang KCNA in English
0247 GMT 7 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — A "monument to the great leader Comrade Kim Il-song's on-site guidance" has been erected in Yaksu-ri, Changsong county, North Pyongan Province, in northwestern part of Korea.

This monument was built to hand down to the posterity the tireless efforts and leadership feats of President Kim Il-song, who created a new history of "Hwanggumsan" (golden mountain), travelling rough hills and mountainous roads on one hundred and scores of occasions with a far-reaching plan to improve the living standard of people in mountainous areas.

Yaksu-ri is also a historical site associated with the leadership of respected Comrade Kim Chong-il who visited there on scores of occasions.

Yaksu-ri, once a poor mountainous village, has turned into a civilized rural village good to live in.

Kim Il-song Developed WPK in 'Prospective Way'

*SK0711112095 Pyongyang KCNA in English
0738 GMT 7 Nov 95*

["President Kim Il-song's Exploits in Building WPK in Prospective Way" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — NODONG SINMUN today says that the great leader President Kim Il-song built the Workers' Party of Korea [WPK] in a prospective way in order to carry forward the cause of independence of the popular masses generation after generation. These immortal exploit could be performed only by him, who had a high sense of duty, far sightedness and a will to shoulder the destiny of the party and the revolution, the motherland and the people forever.

A signed article of the paper says:

In his famous work "The Workers' Party of Korea Is the Party of the Great Leader Comrade Kim Il-song", the great leader Comrade Kim Chong-il reviewed the immortal exploits of the great leader Comrade Kim Il-song, who built the WPK in a prospective way so that the party's cause can be inherited firmly down through generations.

What is important in Comrade Kim Il-song's exploits is that he provided a powerful geological and theoretical weapon to build the WPK in a prospective way and solved the issue of inheritance of leadership as desired and demanded by the era and the people.

Comrade Kim Il-song defined it as one of the main principles of our party building to ensure continuity in party building and solved theoretical and practical problems comprehensively such as inheriting the monolithic idea and leadership of the party and defending and inheriting the revolutionary traditions of the party.

Today our party is famous as a revolutionary party faithfully carrying forward the idea and leadership of respected Comrade Kim Il-song generation after generation and a militant party keeping the chuche blood pure and clean, thanks to Comrade Kim Il-song's idea and theory on ensuring continuity in party building.

The issue of inheritance of leadership has been successfully solved in our party as desired by the era and the people. This is a proud fruit of the greatness of respected

Comrade Kim Chong-il as well as the far sightedness of Comrade Kim Il-song.

In his lifetime, Comrade Kim Il-song noted with great satisfaction that the whole party, all the people and the whole Army are carrying forward the revolutionary cause, rallied behind respected Comrade Kim Chong-il with single heart, and he did everything for building up the organizational and ideological basis and the leadership system of the party.

The article stresses that Comrade Kim Il-song is the great revolutionary and a great leader who laid a firm foundation to successfully carry forward the revolutionary cause before he died in line of duty.

'More Vigorous Movement for Independence' Urged

*SK0411052195 Pyongyang KCNA in English
0512 GMT 4 Nov 95*

[*"Papers Call For Realising Desire for Independence Through Nation-Wide Struggle" — KCNA headline*]

[FBIS Transcribed Text] Pyongyang, November 4 (KCNA) — November 3 is the 66th anniversary of the Kwangju students incident.

NODONG SINMUN and MINJU CHOSON in signed articles dedicated to this day call for realising the desire for independence and sovereignty at an early date through a nation-wide struggle.

The Kwangju students incident caused by the Japanese boy students, who teased and insulted a Korean girl student in a train between Kwangju and Naju at the end of October 1929, was an eruption of the wrath and resentment of Korean students and people against the Japanese imperialists' brutal colonial rule, national humiliation and colonial slavery education and an anti-Japanese patriotic mass resistance.

NODONG SINMUN today says:

The anti-Japanese patriotic mass resistance with the Kwangju students incident as an occasion enhanced the national awakening of the Korean people and gave a heavy blow to the Japanese imperialists who ran wild in continental aggression.

Tens of years have passed since students of Kwangju shed the blood of patriotism, but their desire has not yet been realised in South Korea, a half of the country. The outside forces' policy of colonial domination over South Korea has been further fostered by the South Korean successive rulers, a group of flunkeyist traitors.

The present Kim Yong-sam regime of South Korea is a more humiliating and cruel flunkeyist and treacherous regime than the preceding military dictatorial regime.

The Kim Yong-sam group is offering more than three billion dollars of "maintenance expenses" every year to keep the aggression forces stationed in South Korea and resorting to the base humiliation of casting sheep's eyes at the Japanese reactionaries who are stepping up militarization.

The South Korean students and people should conduct a more vigorous movement for independence, democracy and reunification to terminate the outside forces' colonial domination and the fascist tyranny of the abominable flunkeyist traitors and retake the dignity and sovereignty of the nation.

In order to realise the desire for independence and sovereignty which the Kwangju students wanted so ardently, the whole nation must unite and reunify the country by their own efforts.

Obituary of Former Pomminyon Chairman Published

*SK0611052895 Pyongyang KCNA in English
0521 GMT 6 Nov 95*

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — Yun I-sang, former chairman of the Overseas Headquarters of the National Alliance for the Country's Reunification (Pomminyon) and a talented composer of the nation, died in Germany at the age of 78 on November 4 (Nov. 3 in German time), 1995, from a long illness.

An obituary on his death was published on Sunday in the joint name of the Central Committee of the Democratic Front for the Reunification of the Fatherland, the Ministry of Culture and Art and the North side headquarters of Pomminyon.

According to the obituary, Mr. Yun, who was born in Thongyong County, South Kyongsang Province, on September 17, 1917, had been engaged in composition with great facility in music since he was young. In 1945 he worked as a music teacher at colleges in South Korea. From 1959 he worked as a professor and a composer at conservatories in Germany to demonstrate himself as a talented composer and musician of the Korean nation, who built a bridge linking the Eastern and European music.

From his early years he participated in the struggle for democracy in South Korean society. In June 1967 he was kidnapped to South Korea to serve a term of nearly

two years in prison, on charges of "involvement" in the "case of a spying for communizing South Korea" invented by the South Korean puppet CIA.

After the release, he made energetic efforts to oppose the military fascist dictatorship of South Korea and realize independence, democracy and reunification. And as the chairman of the overseas headquarters of Pomminnyon, he actively participated in the Pomminnyon movement for the unity of the nation and the reunification of the country.

He was awarded the Order of the National Flag First Class, "National Reunification Prize" and other orders and medals of the DPRK for the feats he performed for the country and the nation.

Meeting Marks Radio, TV Committee Anniversary

SK0711053595 Pyongyang KCNA in English
0245 GMT 7 Nov 95

[FBIS Transcribed Text] Pyongyang, November 7 (KCNA) — A meeting was held on Monday to commemorate the 50th anniversary of the establishment of the Radio and TV Broadcasting Committee of the Democratic People's Republic of Korea.

The broadcasting committee has set as the day of its establishment the 14th of October, 1945 when it broadcast live the speech made by the great leader President Kim Il-song on his triumphal return home.

The broadcasting committee, which was established on the basis of the brilliant tradition of the revolutionary press media created by President Kim Il-song during the anti-Japanese revolutionary struggle, has always shared the destiny with the party and creditably discharged its honorable mission and duty, covering the course of victory and glory for half a century.

The Central Committee of the Workers' Party of Korea sent a congratulatory message to the officials and employees of the broadcasting committee on its 50th birthday.

The message said that the broadcasting committee has resolutely defended the party and the leader politically and ideologically at the outpost line of the party's ideological front, armed the popular masses with the great chuche idea and powerfully aroused them to the implementation of the party's line and policy, thus making positive contributions to strengthening the driving forces of our revolution and enhancing their role.

Especially, the broadcasting committee is greatly contributing to cementing the singlehearted unity of our revolutionary ranks as firm as a rock and defending and adding lustre to our socialism centred on the masses

by fully discharging its mission and duty to convey the party's voices under the wise leadership of the great leader Comrade Kim Chong-il, it stressed.

The WPK Central Committee in the message highly estimated the great achievements the officials and employees of the broadcasting committee made in discharging their revolutionary duty by firmly defending their broadcasting post, as intended and demanded by the party, with intense loyalty to the party and the leader.

Chong Ha-chol, chairman of the broadcasting committee, made a report at the meeting.

The meeting stressed that all efforts of the broadcasting committee should be concentrated on holding the respected leader President Kim Il-song in high esteem for all ages as the eternal leader of our party and people and propagandising his revolutionary idea in an overall, wide and deep way.

It was also stressed that positive contributions should be made to implanting deep into the minds of the people the distinguished traits and the glorious and brilliant revolutionary exploits of the great General Comrade Kim Chong-il, by employing all forces, means and methods of broadcasting, so that the people can invariably follow the general, entirely entrusting their destiny and future to him.

A letter of pledge to Comrade Kim Chong-il was adopted at the meeting.

Present at the meeting were Yi Chong-ok, Politburo member of the WPK Central Committee and vice-president of the DPRK, and other senior party and government officials.

Light Industry Production Increases

SK0611095495 Pyongyang KCNA in English
0931 GMT 6 Nov 95

[FBIS Transcribed Text] Pyongyang, November 6 (KCNA) — Production is on the increase at light industrial establishments, which greeted the 50th anniversary of the Workers' Party of Korea with great achievements in production.

Pakchon silk mill carried out its yearly plan two months ahead of the schedule and is now overfulfilling its daily plan of cloth production by 20 percent.

Wonsan export garment factory has already overfulfilled its yearly plan by 40 percent. It is carrying out the daily plan at 130 percent this month, too.

Kaesong towel factory is overfulfilling its daily production quota by 20 percent.

Sinuiju textile mill, Hyesan footwear factory, Kowon stocking factory and many other light industrial factories keep production on a high level.

Taean Heavy Machine Complex Increases Output

*SK0711031095 Pyongyang Korean Central Broadcasting Network in Korean
2100 GMT 2 Nov 95*

[FBIS Translated Text] Functionaries and workers of the Taean Heavy Machine Complex, who are vigorously struggling to implement the fatherly leader's [suryong] behest and the party's revolutionary economic strategy by upholding them, have made achievements by continuously accelerating production at various facilities.

Under the guidance of the united party [yonhap tang] committee, the enterprise's staff is working out the economic organizational work to normalize production by searching and mobilizing maximum reserves in all workshops, highly displaying the vigor spirit of the producer masses.

Functionaries and workers of the No. 1 processing workshop and No. 2 processing workshop of the power facility — who have already gained the greatest achievement in producing the 50,000 kilowatt- sized hydroelectric power generator by actively accepting the reasonable plans of valuable invention to increase production as intended by the party — have recently accelerated facility production continuously to provide to various power plants and coal mines, thus achieving success in production.

With the revolutionary spirit of self-reliance and fortitude, all workshops of the enterprise — including the material workshop, casting workshop, power facility tube workshop, large-sized machine workshop — are successively carrying out the facility production tasks assigned to them by actively searching and mobilizing reserves.

South Korea

Cabinet-Level Trade Committee With U.S. Planned
*SK0611005795 Seoul YONHAP in English
0050 GMT 6 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 6 (YONHAP) — South Korea and the United States will form a minister-level business cooperation committee to help avoid trade friction and to promote industrial cooperation between the two countries, the Trade, Industry and Energy Ministry said Monday.

For this purpose, U.S. Commerce Secretary Ron Brown will fly to Seoul on Nov. 17 to sign an agreement on

the creation of the committee with his South Korean counterpart Pak Chae-yun.

The committee will have a particular focus on promoting mutual understanding and cooperation between the automobile and information-telecommunications industries in both countries, ministry officials said.

Government and business representatives will make up the committee which is to be co-chaired by either the trade ministers or vice trade ministers from both governments.

The committee will have working groups study issues of special interest to the two governments and a coordination subcommittee consisting of business representatives.

Dailies on Security Consultative Meeting

SK041108229

[FBIS Editorial Report] The following is a compilation of editorials from ROK vernacular newspapers published on 4 November on the ROK-U.S. Security Consultative Meeting held in Seoul.

The conservative CHOSON ILBO carries on page 3 a 1,000-word editorial titled "ROK-U.S. Security Consultations Held in a Timely Manner."

The editorial says: "A security consultative meeting and a military committee meeting held in Seoul have reconfirmed the ROK-U.S. security alliance. This is appropriate in view of its timing, because the sessions were held at a time when North Korea has been building up its offensive forces and sent armed agents to South Korea. This is also meaningful because it may serve as a warning against North Korea's grave military movements."

Noting the ROK-U.S. agreement to increase the ROK's share for the upkeep of U.S. Forces in the ROK by 10 percent a year for the next three years, it says: "This will put the annual ROK-U.S. conflicts to a rest."

After noting dissatisfaction over the fact that the ROK and the United States have agreed that the United States would take over operational control of the 2d ROK Army and the "vague" agreement on technological cooperation in the defense industry, the editorial says: "As a result, it appears that it will still be a long time before the ROK possesses a self-defense capability by beefing up its military equipment."

The moderate CHUNGANG ILBO carries on page 4 an 800-word editorial titled "Where ROK-U.S. Security Cooperation Should Go."

Noting the controversy concerning the ROK's share of the upkeep for U.S. Forces in the ROK, the editorial says: "The ROK-U.S. agreement on this issue is fortunate, given the fact that the security consultative meetings, which should have extensively discussed ROK-U.S. military readiness and other issues concerning security cooperation, have so far been wasteful to a great extent because of this issue."

Noting the ROK-U.S. agreement to make joint efforts to ensure the transparency of North Korea's past, present, and future nuclear activities, the editorial says: "This is a timely and appropriate response, because North Korea, taking advantage of the ambiguity of the Geneva agreement with regard to the clarification of North Korea's past nuclear activities, has been trying to play the innocent by interpreting the agreement in its own way."

Noting the fact that the United States has hinted that it is willing to discuss abolition of the memorandum of understanding on the development of missiles with a range of over 180 km, the editorial says: "The issue of abolishing this memorandum must be continuously raised and discussed as a matter of course for the sake of the peaceful space development plan the ROK is pursuing as a sovereign nation."

The moderate HANGUK ILBO carries on page 3 a 1,000-word editorial titled "Coordination of ROK-U.S. Security Issues."

The editorial first welcomes the agreement on the upkeep of U.S. Forces in the ROK and revision of the Status of Forces Agreement. Noting the ROK-U.S. memorandum of understanding on missile development, it says: "Even though the current meeting decided to discuss this issue in the future, this issue could become a reason for ROK-U.S. conflicts at any time.

"In particular, we expect that the ROK Government authorities will realize that we need to independently develop missiles, because North Korea has recently deployed, close to the DMZ, heavy artillery and medium-range missiles which can reach even Suwon of the ROK and make efforts toward that end."

The moderate KYONGHYANG SINMUN carries on page 3 an 800-word editorial titled "Are ROK-U.S. Security Consultations Satisfactory?"

The editorial welcomes the agreement on the upkeep of U.S. Forces in the ROK. Noting North Korea's development of Scud, Nodong, and Taepodong missiles, the editorial says: "The ROK-U.S. memorandum of understanding, which bans the ROK's development of ground-to-ground missiles with a range of over 180

km, must be abolished as a matter of course, given the reality."

U.S. Energy-Related Firms To Invest in Zone

*SK0611011595 Seoul HANGUK ILBO in Korean
6 Nov 95 p 2*

[YONHAP from Tokyo]

[FBIS Translated Text] On 4 November, Kim Su-yong, a professor from Kim Il-song University who is now staying in Japan, stated that U.S. energy-related enterprises signed a contract to jointly build a power plant in North Korea's special economic zone.

In an interview with NIHON KEIZAI SHIMBUN, Kim stated the Najin-Sonbong Economic Free Trade Zone will be the site for the joint construction of the power plant, but did not disclose any details, including the size of the power plant. This is the first time U.S. enterprises have announced plans to invest in the Najin-Sonbong zone.

Government To Ask Jiang for Help on Issue

*SK0411082095 Seoul YONHAP in English
0749 GMT 4 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 4 (YONHAP) — The government plans to ask China during Chinese President Jiang Zemin's visit to Seoul in the middle of this month to cooperate in obtaining the release of the Usong-ho fishing boat seized by the North.

"We expect that upon President Jiang's visit to Seoul, there will be a progress in South-North relations," a government official said.

Since China is able to have influence upon North Korea, he said, the government is studying a plan to ask China for cooperation in the Usong-ho issue.

Noting that North Korea discussed the Usong-ho issue in a Radio Pyongyang commentary Friday, the official said the unexpected discussion can be taken as a sign of their willingness to return the vessel and its crew persons to the South.

He said the North Korean demand for an apology seems to be a face-saving term.

"Since we have already expressed regret over Usong-ho's violation of the North Korean sea, we do not consider making any additional apology," the official said.

Government, PRC Agree on Industrial Standards

*SK0411060395 Seoul YONHAP in English
0549 GMT 4 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 4 (YONHAP) — South Korea and China Saturday agreed to establish common industrial standards for use by both countries to eliminate confusion in bilateral trade and investment exchanges, a Foreign Ministry spokesman said.

During the fourth Korea-china joint economic committee meeting, the two sides also agreed to expedite the settlement of accounts during bilateral trade by launching a plan for banking exchange organizations between the two countries, he said.

The meeting, represented by Deputy Foreign Minister for Economic Affairs Son Chun-yong on the Korean side and Assistant Minister for the Ministry of Foreign Trade and Economic Cooperation Liu Xiangdong on the Chinese side, also agreed that both countries should make efforts to reduce imbalances in bilateral trade by further expanding rather than reducing the trade volume, he said.

The Korean side requested that China cancel its plan to scrap value-added tax breaks for foreign firms operating in China while the Chinese side agreed to consider the request.

Spokesman Says Officer Appointed as UN Deputy

*SK0611071395 Seoul YONHAP in English
0700 GMT 6 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 6 (YONHAP) — A South Korean military officer was appointed Monday deputy head of the United Nations military mission which oversees the armistice treaty between India and Pakistan, a Foreign Ministry spokesman said.

Col. Kim Mun-hwa of the Korea National Defense University (KNDU) will fly to the border region between the two countries on Nov. 18 to take up the post of deputy head of the United Nations Military Observer Group in India and Pakistan (UNMOGIP), the spokesman said.

Kim's tenure will be one year at the initial stage and can be extended later, the spokesman said.

Established in 1948, UNMOGIP currently has 40 military officers between the rank of captain and lieutenant from eight UN member countries serving it.

UNMOGIP, led by an Italian major general, currently has eight South Korean officers stationed there.

ROK Expects To Receive Security Council Seat

*SK0711084595 Seoul YONHAP in English
0801 GMT 7 Nov 95*

[By Hwang Tu-hyong]

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — South Korea expects to win over 160 votes in the United Nations General Assembly balloting for a seat at the United Nations Security Council (UNSC) slated for Wednesday, hoping it could play a major role in maintaining international peace and stability just three years after the country joined the United Nations in 1992.

Director General Ham Myong-chol at the Foreign Ministry's United Nations Systems Bureau said Tuesday, "We expect to gather up to 165 votes or at least 150 votes out of the total 177 votes at Wednesday's balloting for the UNSC seat allocated for Asia."

South Korea needs to have at least 118 votes or two-thirds of the total 177 votes to get a seat at the UNSC as a two-year term non-permanent member for 1996 and 1997. Eight out of 185 UN member countries are not eligible for the voting for failure to pay their shares of contribution to the world body.

Expressing confidence that the country will get enough votes to become the UNSC member as the only candidate for the seat allocated for Asia, Ham said that "South Korea's joining the UNSC will play no less important role in maintaining peace and stability on the Korean peninsula than the stationing of American Forces here."

With the collapse of the Cold War during early 1990s, the UNSC has played a major role in maintaining international peace and stability, he said. "During the Cold War era, the UNSC could not make major decisions on major conflicts in the world mainly because of the tense rivalry between the East and West."

For the past years, the UNSC has led the international efforts to solve major conflicts by issuing UNSC president's statements and resolutions through closed-door sessions, Ham said.

"During the Cold War era, the Security Council was just the forum for discussions on a variety of international security issues without producing any major conclusions because of the tense East-West rivalry," he said.

"In that sense, South Korea, from now on, needs to closely follow up all of major international issues as well as issues directly related to the country's interests to do its duty as a UNSC member," he said.

The Foreign Ministry, therefore, will reinforce its organizations dealing with major international issues put

on the UNSC including South Korea's permanent representative to the United Nations, according to Ham.

He insisted that South Korea has already started to play a key role in the renovation of the UN organization including restructuring of the UNSC when President Kim Yong-sam made the first speech at a meeting of 16 middle power countries, including South Korea, Sweden, Japan, Belgium, India and Mexico, which have been sought to reorganize the world body.

The middle power meeting was held in New York last month on the sidelines of the UN summit meeting to commemorate the 50th anniversary of the world body.

South Korea has expressed its willingness to support the increase in the number of UNSC members up to 25 from the current 15 for effective regional representation of the whole world but fallen short of committing itself to the increase in the number of the UNSC standing members with veto power.

The UNSC currently has five permanent members — the United States, China, France, Britain and Russia — and 10 nonstanding members — Oman, Nigeria, Rwanda, Czech, Argentina (for 1994 and 1995), Indonesia, Germany, Italy, Honduras and Botswana (for 1995 and 1996).

South Korea will replace Oman whose tenure will expire at the end of this year.

The country has made all-out efforts to join the UNSC since then Foreign Minister Han Sung-chu officially expressed the hope to join the UNSC at a keynote speech at the UN General Assembly session in September 1993.

Among them are dispatch of special presidential envoys to 43 countries, efforts to enhance economic and political relations with other UN member countries and diplomatic activities by President Kim Yong-sam and other government officials to seek support for Seoul's entry into the UNSC.

As soon as Sri Lanka, which officially offered to apply for the UNSC seat in April 1993, withdrew its candidacy last May, South Korea won on May 19 a recommendation from the United Nations Asia group as the only candidate to the UNSC seat allocated to Asia.

Kim Yong-sam Receives Burmese Foreign Minister
SK0411070495 Seoul KBS-1 Television Network
in Korean 1200 GMT 3 Nov 95

[FBIS Translated Text] President Kim Yong-sam received Myanmar [Burmese] Foreign Minister Ohn Gyaw this morning at Chongwadae [presidential offices] and discussed ways to promote bilateral friendship and

cooperation. President Kim appreciated Myanmar's support for the ROK's bid to join the UN Security Council, and stated that the Myanmar Government's release of Aung San Suu Kyi from house arrest was a very wise decision.

Kim To Focus on S&T Exchanges at APEC

SK0711022195 Seoul YONHAP in English
0210 GMT 7 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — President Kim Yong-sam will leave for Japan Nov. 17 for a four-day trip to attend the Asia-Pacific Economic Cooperation (APEC) summit conference in Osaka, presidential spokesman Yun Yo-chun said Tuesday.

At the 18 member-nation summit, President Kim is scheduled to deliver a keynote speech to present basic policy directions for realizing economic cooperation and the liberalization of trade and investment within the Asia-Pacific region.

The heads of states who will participate in the APEC summit include U.S. President Bill Clinton, Chinese President Jiang Zemin and Japanese Prime Minister Tomiichi Murayama.

Kim will particularly emphasize the need for the exchange of material and human resources as well as information and technology to promote economic and technological cooperation within the region.

He is also slated to discuss matters related to the recent situation on the Korean Peninsula, including the North Korean nuclear issue, during separate meetings with Clinton and Murayama on Nov. 18.

Attracting keen attention is Kim's scheduled dialogue with Murayama in the wake of tense relations between Seoul and Tokyo due to Murayama's controversial remarks about his nation's colonial rule of Korea from 1910-45.

Premier Talks With Acting Israeli Premier Peres

SK0711104495 Seoul YONHAP in English
1026 GMT 7 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — Prime Minister Yi Hong-ku, now on a visit to Israel to attend the funeral of the late Israeli Prime Minister Yitzhak Rabin as a government envoy, conferred with Israeli acting Prime Minister Shimon Peres at his office Tuesday afternoon Korea time.

A report from Jerusalem said that during the meeting, the two prime ministers shared the view that missile exports by North Korea to some Middle East countries

would pose a threat not only to the Middle East but also to the world.

Song Tae-ho, chief secretary to the prime minister, who accompanied Yi to the tour, said Premiers Yi and Peres agreed that their countries would positively cooperate each other in the airplane industry.

Acting Prime Minister Peres, in particular, said that despite the death of Prime Minister Rabin, Israel would carry on a second-stage treaty obligation of the Palestine autonomy agreement.

Peres also asked Yi to see to it that when South Korea is elected as a UN Security Council member country, Korea contribute further to peace in the Middle East and stability of Israel.

Prime Minister Yi is expected to return home Wednesday afternoon.

ROK To Contribute \$2.3 Million to WTO in '96

SK0211055695 Seoul YONHAP in English
0522 GMT 2 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 2 (YONHAP) — South Korea will contribute over 2.3 million U.S. dollars to the World Trade Organization (WTO) for its 1996 budget, a Foreign Ministry official said Thursday.

South Korea will be the 12th largest contributor to the WTO with 2,351,677 dollars or 2.36 percent of the total WTO budget of 99,647,350 dollars, according to the official.

A WTO budget committee will finalize its 1996 finances on Nov. 15, he said.

Contributions to the WTO are determined in accordance with the proportion of each nation's trade volume compared with the world's total trade volume, the official added.

The United States will be the largest contributor to the WTO for 1996 with 15,814,034 dollars, followed by Germany with 10,751,949 dollars and Japan with 8,529,813 dollars, he said.

Further Reportage on No's Slush Fund Scandal

Daewoo Helped Keep Funds

SK0411044995 Seoul YONHAP in English
0437 GMT 4 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 4 (YONHAP) — Former President No Tae-u revealed in the documents he submitted Monday to the prosecution concerning the slush fund scandal that he had had converted false- or borrowed-name accounts holding 80 billion won of his slush money to real-name accounts through the Hanbo

and Daewoo business groups, one of his aides said Saturday.

No's former chief secretary Chong Hae-chang said, "I understand that former President No, in the documents he submitted to the prosecution, disclosed that, of the 180 billion won in unused slush funds, 100 million won was still being kept in false- and borrowed-name accounts while the remaining 80 billion won was in real-name accounts held by the Hanbo and Daewoo business groups."

But he could not remember how much money each of the Hanbo and Daewoo groups is keeping.

When he made a public apology on Oct. 27, No said that he had raised a 500-billion-won "governing fund," of which 170 billion won was left unused when he resigned from the presidency. The size of the unused slush fund was later found to be totaling 185.7 billion won.

Probe of Daewoo Links

SK0611032395 Seoul YONHAP in English
0253 GMT 6 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 6 (YONHAP) — The prosecution, investigating Daewoo Group Chairman Kim U-chung on suspicions that he helped former president No Tae-u hide his slush fund and bribed him to win a nuclear power plant construction contract during No's presidency, will begin summoning related Daewoo officials for questioning Monday afternoon. Kim is now on an overseas trip.

An official said those who were directly involved in Kim's financial relations with No would be the first to be summoned for questioning, adding that Kim would also be called in as soon as he returns.

The prosecution, while examining the bank accounts of Hanbo Group Chairman Chong Tae-su and former Hanyang Group Chairman Pae Chong-yol, has reportedly obtained evidence the two business tycoons bribed No and are now trying to determine whether money flowed from these accounts to the former president in return for business favors.

The interrogation of business leaders suspected of having bribed No, as well as the examination of their bank accounts, will be completed within this week and the prosecution could take legal action against No as early as next week, the official remarked.

The prosecution also plans to investigate No's family members and close aides suspected of being involved in the creation and management of No's secret fund.

While questioning Hanbo Chairman Chong about his alleged involvement in the hiding of No's secret fund,

having the money stashed in his real-name accounts, the prosecution obtained information that Chong extended the help at the request of a close aide to No.

As it has been confirmed that No purchased commercial buildings and land and registered them in the names of family members to hide the property and dodge taxes, the prosecution plans to also summon these family members for questioning.

The official said the prosecution is looking into No's hidden property to confirm the 185.7 billion won the former president said he still holds out of the 500-billion-won "fund for ruling" he raised during his presidency.

U.S. Aid Sought

SK0711063595 Seoul *THE KOREA HERALD*
in English 7 Nov 95 p 1

[FBIS Transcribed Text] Prosecutors said yesterday they will question heads of three business groups and a national legislator today in connection with former President No Tae-u's slush money scandal.

Those summoned are Kim Chung-won of Hanil Group, Kim Chun-ki of Dongbu Group, Chang Chin-ho of Jinro Group and Rep. Kum Chin-ho, an in-law of No.

"The three businessmen are among those implicated in raising former President No's slush fund," senior prosecutor An Kang-min said.

Of the three, Hanil's Kim is now abroad so the group's vice chairman, Kim Chong-chae, is to appear at the prosecution instead, An said.

Rep. Kum has been summoned for allegedly helping No hide some of his money. He served as a mediator when Hanbo Group Chairman Chong Tae-su converted 59.9 billion won of the slush money into real-name accounts in 1993, according to prosecutors.

They said the businessmen will be questioned on how much money they had given to No and whether they had obtained favors in gaining government contracts in return.

Admitting that they were expanding the probe of businesses, the prosecutors said they will summon several businessmen every day till early next week.

They did not clarify when they plan to recall No again. Some hinted, however, that he may be summoned again as early as mid-next week.

No rejected charges of corruption when he was questioned last Wednesday after being summoned to the Prosecutor-General's Office.

In a related move, the prosecution said it will refer the list of 21 relatives of No to the Swiss Government for use in finding out possible deposits into accounts opened under their names at Swiss banks.

"We will send the list to the Swiss Government with the help of the Foreign Ministry," Senior Prosecutor An told reporters.

The prosecution will also seek to receive from U.S. law-enforcement authorities investigative records a few years ago regarding a diversion of funds, involving No's daughter, No So-yong, of some \$200,000.

There have been allegations that the money was from Swiss bank accounts.

Meanwhile, the prosecutors said their probe of Hanbo's Chong over the weekend found that he converted 59.9 billion won of No's slush money into real-name accounts in 1993. The conversion was made after President Kim Yong-sam issued a decree banning false-name financial transactions.

The money was part of the 185.7 billion won No admitted he was still holding, out of the 500 billion won he had raised in slush money while in office.

Hanbo officials, however, denied that the conversion was to help No hide his fortune. They claimed it was a private loan from the former President.

They also denied that Chong had given bribes to No other than some money he had donated in 1990 to help the government prepare for the Beijing Asian Games.

The prosecutors also said they will question Daewoo Group officials in connection with the allegation that the group chairman, Kim U-chung, helped No hide some of the slush money.

Prosecutors said they will summon Kim, now on an overseas business trip, when he returns home.

DLP Willing To Reveal Fund

SK0711084995 Seoul *YONHAP* in English
0710 GMT 7 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — The ruling Democratic Liberal Party (DLP) indicated Tuesday that it would submit, if required by the prosecution, information about the party's 1992 presidential election campaign funds in cooperating with the prosecution's investigation of the on-going slush fund scandal involving former President No Tae-u.

Emerging from the party's high-level staff meeting, DLP Spokesman Son Hak-kyu told reporters that if the prosecution requires the DLP to submit information

on No's contributions to its 1992 presidential election campaign funds, the party would comply with the requirement.

The DLP's election fund in 1992 has become a hot political issue following opposition leader Kim Tae-chung's recent confession to having received 2 billion won from No during the election in which he lost to DLP candidate and eventual President Kim Yong-sam.

Should the prosecution include the matter of the presidential election fund in its investigation of the No scandal and require any related information from the DLP, the party would comply, Son explained.

Son's remarks have been construed as a sign that the DLP's position is that No should disclose to the public prosecutor about the funds he gave to presidential candidates in 1992.

Reiterating that it had not received even a penny from No, the DLP also asserted that its standard-bearer Kim Yong-sam had not met the ex-president between the time of No's secession from the party Oct. 5, 1992 and Kim Yong-sam's victory in the election Dec. 18, 1992.

Whether the prosecution will require such information on the funds No allegedly gave the DLP before his departure or during the 1992 election period remains to be seen.

Businessmen Summoned

*SK0711030593 Seoul YONHAP in English
0249 GMT 7 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — The prosecution summoned Dongbu Business Group Chairman Kim Chun-ki and Jinro Group Chairman Chang Chin-ho Tuesday for questioning about the amount and the reason why they gave money to former president No Tae-u.

Both tycoons notified the prosecution that they will show up at the prosecutor's office Tuesday afternoon.

Also summoned was Rep. Kum Chin-ho of the ruling Democratic Liberal Party (DLP), who acted as a middleman between No and the Hanbo Business Group to transfer No's false-name accounts worth 59.9 billion won into real name ones.

The prosecution also asked Hanil Group Chairman Kim Chung-won and Daewoo Group Chairman Kim U-chung to come for its investigation, but both businessmen are still staying outside the country.

More than 20 entrepreneurs will be summoned by the prosecution this week to ascertain the precise circumstances of No's creation of "secret funds."

If the money the entrepreneurs provided for No are judged to be bribes, they will be subject to legal proceedings, according to the prosecution.

It also plans to question Rep. Kum if he introduced any other enterprises than Hanbo to No to help the ex-president transfer his false-name bank accounts into real name ones and if Kum received any rewards from No or from the businesses for the arrangements.

Swiss Trip Viewed

*SK0711094195 Seoul YONHAP in English
0928 GMT 7 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — An aide to former President No Tae-u suspected of handling the accounting of the slush fund accompanied the then Korean leader on an 1989 unofficial visit to Lausanne, Switzerland, on a presidential European tour, fueling speculation that the aide may have been involved in securing secret Swiss bank accounts for No.

A Foreign Ministry official said Tuesday that Yi Tae-chin was among those who accompanied the ex-president to Lausanne at that time.

Although the ministry has yet to receive a list of those involved in the alleged funneling of part of the slush fund to Swiss banks, the official said, it is probable that the prosecution may have secured concrete evidence in Yi's alleged role including bank accounts of No or his relatives. Yi was the chief of the accounting section of the Presidential Security Service at the time.

"In that case, it will be very easy for the Foreign Ministry to ask for judicial cooperation with the Swiss authorities on bringing to light the alleged secret accounts of No in Swiss banks," he said.

From reports that the prosecution will inform the Foreign Ministry of only those who allegedly lent their names for No's stashing funds in Swiss banks, the official replied, "I do not think so because we've already been informed about the Swiss legal system in which the Swiss authorities need hard evidence that the money in question is connected to crimes."

He added that the prosecution is fully aware that the Foreign Ministry needs to have at least bank account numbers to if it is to solicit efficient cooperation from the Swiss authorities.

On No's alleged "hasty" arrangement to make an unofficial visit to Lausanne in 1989, the source responded, "As far as I know, No wanted to see Antonio Saman- ranch, chairman of the International Olympic Committee (IOC), at Lausanne where the IOC is headquartered."

He added that No also met the then president of Switzerland informally at the same city.

The official also said that the Foreign Ministry handed over to the prosecution at its request late Monday a record of No's itinerary and lists of his official and unofficial entourages at the time of his European tour in November 1989.

President's Options Reviewed

SK0511035495 Seoul *THE KOREA HERALD*
in English 5 Nov 95 pp 1, 2

[*"News focus"* by staff reporter Chon Si-yong]

[FBIS Transcribed Text] President Kim Yong-sam has been keeping silent on former President No Tae-u's slush fund scandal since the ex-president was questioned by prosecutors Wednesday.

Kim's recent silence on the nation-rocking scandal involving his predecessor and former ally is in a stark contrast to the hardline position he had taken in the week before the prosecution summoned No.

What is behind the President's silence over the last few days?

Political analysts say that Kim's failure to give any public comments on the rapid development of the prosecution probe and the opposition charges of his personal involvement in No's illicit fund well illustrate the seriousness of the web of political dilemmas he was thrown into.

As if to reflect the gravity of the worst political crisis he has ever faced, Kim yesterday went to a presidential retreat south of Seoul on an unprecedented weekend vacation.

President Kim used to stay at the presidential villa to spend major holidays, but it is the first time that he went there on a weekend, thus raising speculations that he is trying to seek out a solution to his political quandary.

The overriding dilemma faced by Kim, analysts say, is whether to put the former president into jail upon the completion of the prosecution investigation.

For all the pledges by Kim and prosecutors of a "thorough and fair investigation," many South Koreans, still doubting the prosecution's independence from political power, believe that the legal fate of No rests with the decision of the President.

"The President's recent silence on the legal steps to be taken against No shows that he is still gauging the possible gains and losses from prosecuting him," an analyst said.

Although Kim had already defined the case as a criminal act of hoarding illicit fortune rather than the operation of a secret political fund, neither the President nor his top aides at Chongwadae [presidential offices] have given any explicit remarks that his government will send No to jail.

The cautiousness of Chongwadae leaves the possibility open that the Kim government may decide not to seek a physical arrest of No while prosecuting him, analysts say.

Such observation is based on the probability that Kim and his ruling Democratic Liberal Party (DLP) will have to shoulder a tremendous political burden if the President opts for the strongest action.

The analysts say that if President Kim decides to send No to jail, he will first have to run the risk of "whistle blowing" by the No camp on their past political ties.

Speculations are already rampant that, despite Kim's indirect denial, he received campaign money from No during the 1992 presidential elections.

"If the No side presents any convincing evidence on the campaign money issue and other dark sides of their past alliance, it will be fatal to the Kim administration which has been boasting of cleanliness and morality as its supreme legitimacy," a political commentator said.

Kim's decision to jail No would also generate numerous political fallout, especially inside the ruling DLP, at a time when the governing party is bracing itself for the crucial parliamentary elections next April.

The DLP, a product of a 1990 three-party merger, still has many lawmakers associated with No and his predecessor Chon Tu-hwan, and they would regard a physical arrest of No as the start of President Kim's moves to sever his ties with the No-Chon faction in the party.

That may result in intra-party dissension and a mass desertion of lawmakers loyal to the two military-backed former presidents, thus weakening the DLP's position ahead of the National Assembly elections, analysts say.

Since the DLP suffered a devastating defeat in the June local elections, the first major polls since Kim took office in February 1993, several conservative lawmakers bolted from the DLP and joined opposition parties.

It seems against this backdrop that some senior members of the DLP call for a "cautious approach" toward the physical arrest of No.

"It is very difficult to make a decision on the matter," a DLP lawmaker said, adding that President Kim and the party have to take into account "all variables."

While Kim and the DLP are weary of these and other possible political storms a jailing of No would create, they appear to be equally apprehensive of the probable upheavals that are sure to accompany a decision not to make a physical arrest of him.

As many as 80 percent of South Koreans now call for a physical arrest of the ex-president, according to opinion polls. The public anger is unlikely to calm down because more cases of No's abuse of power and irregularities are coming to the fore.

Yesterday, thousands of college students and anti-government protesters staged street demonstrations in Seoul, demanding an immediate arrest of No. Similar demonstrations took place in more than a dozen major cities across the country.

The opposition is also intensifying their political offensive against the Kim administration, charging that Kim is lying about his campaign money and seeking a "political deal" with the No camp to save his own face.

"President Kim would face strong political challenges whether he puts No into jail or not," a political analyst said.

Whichever course of action he takes, Kim will make a decision only after giving a careful consideration to its political bearing and measuring public opinions, the analyst said, adding that the President seems to be buying the time while remaining silent.

He noted that senior prosecutors, citing the difficulty in tracking down No's secret bank accounts, had already indicated that the probe may take a while.

People's Sentiments Viewed

SK0611040095 Seoul HANGUK ILBO in Korean
6 Nov 95 p 1

[Results of a nation-wide telephone survey conducted on 3 November by the Media Research Company for HANGUK ILBO]

[FBIS Translated Text] As regards former President No Tae-u's secret fund, a majority of people seem to believe the prosecution should detain him and thoroughly investigate those enterprises involved in his collection of the secret fund.

Such facts were disclosed by a telephone survey conducted on 3 November by Media Research Company, upon the request of HANGUK ILBO, with one thousand men and women across the country (except Cheju Island) who are over 20 years in age.

As regards taking judicial action against former President No Tae-u, 69.4 percent of the respondents felt he

deserves to be detained and investigated by the prosecution, while 22.5 percent desired not to have him detained.

As regards those enterprises involved in former President No Tae-u's collection of the secret fund, 63.1 percent of the respondents felt the "prosecution should thoroughly investigate them," while 30.9 percent opined that "considering the economic shrinkage, they should be pardoned."

As regards opening hearings on the Sixth Republic, 59.2 percent of the respondents stated "they should be opened," while 20.9 percent felt "they should be opened based on a mutual agreement between the ruling and opposition parties after the prosecution concludes its investigation." Therefore, 80.1 percent of the respondents seem to expect hearings to be opened.

As regards President Kim Yong-sam's remarks indicating he has not received any political funds from enterprises since being inaugurated, 14.2 percent of respondents stated "they believe him," while 48.6 percent thought "he might have received some political funds." In addition, 28.2 percent of the respondents stated "he might have received political funds as great as those of previous governments."

In addition, regarding the possible impact of the secret fund incident upon the upcoming 15th general election, 53.1 percent of respondents felt "it will have a large impact upon the election," while 34.2 percent of respondents thought "it will have only a general impact upon the election." Thus, 87.3 percent of the respondents thought it will have an impact on the election.

Seoul To Postpone Amnesty Due to Tensions

SK0611063195 Seoul YONHAP in English
0614 GMT 6 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 6 (YONHAP) — The government will postpone the general pardon slated for this month until December in view of the political tension created by the slush fund scandal involving former President No Tae-u.

Rep. Yu Hung-su, chief policy coordinator of the ruling Democratic Liberal Party, said Monday that the general amnesty which the government planned to announce during November would be held off until December because of "various reasons."

The ruling party and the government are discussing some 20 of the 41 laws related to general amnesties. Some 8 million people, mostly those convicted of minor offenses, are expected to be pardoned in the coming general amnesty, he said.

DP, Reform Party Agree To Merge

SK0711094495 Seoul YONHAP in English
0810 GMT 7 Nov 95

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — The opposition Democratic Party (DP) and the newly-organized opposition Reform Party agreed Tuesday in principle that they should merge on a party-to-party level to overcome the "regional division-oriented politics" being led by the "three Kims."

The two parties held the first working-level meeting for the merger at the National Assembly and clarified their position to oppose the current politics led by President Kim Yong-sam, president of the main opposition National Congress for New Politics (NCNP) Kim Tae-chung, and president of the minor opposition United Liberal Democrats (ULD) Kim Chong-pil.

Working-level negotiators of the two sides also decided to meet again at 7:00 AM Friday to start discussion on the leadership system and ways to select chief organizers of the district chapters of their possible new party.

In a joint statement released after the meeting, they expressed their disdain for the current political situation, arguing that the people's distrust in the political circle has deepened further because of the slush fund scandal involving former President No Tae-u.

"We agreed to jointly realize the reform of the political culture to conquer the corruption politics of the 'one No (Tae-u) and three Kims' era," they said.

Since No's slush fund scandal has caused a sensation in the country, there have been rumors that the DP and Reform Party will merge with each other and that they will again become one party with a "democratic faction" within the ruling Democratic Liberal Party (DLP).

The faction consists of those who have followed incumbent President Kim Yong-sam since he was an opposition leader.

However, the DP announced Tuesday in a resolution that it will never merge into a democratic faction with the DLP because it opposes President Kim.

U.S. Levies 'Low' Duties on Semiconductors

SK0711063195 Seoul THE KOREA TIMES in English
7 Nov 95 p 8

[FBIS Transcribed Text] The Court of International Trade [CIT] of the United States has imposed comparatively low anti-dumping duties on Korean-made semiconductors, opening the way for even more brisk export activities.

According to the Ministry of Trade, Industry and Energy yesterday, the CIT accepted a proposal from the Department of Commerce that 0.22 percent in anti-dumping duties be imposed on Samsung Electronics.

Corresponding duties on Hyundai Electronics Industries and LG Semicon were 5.15 percent and 4.28 percent respectively, considerably lower than the initial rates of 5.99 percent and 52.41 percent, MOTIE officials said.

In the case of Samsung, the latest ruling means that it will be free from further investigations into allegations of dumping unless Micron Technology, the party which filed the complaint against Korean makers.

Under related regulations, companies which face anti-dumping duties of less than 0.5 percent are exempt from any additional investigations by the Department of Commerce or the CIT.

Samsung officials said the ruling also means that it can retrieve about 40 million dollars deposited with the U.S. million dollars deposited with the U.S. government since the dumping suit was filed, plus interest.

"The CIT ruling implies that Samsung will be able to engage in exports without any restriction, thus enhancing its global competitiveness," said Samsung's Im Su-kil.

Exports of semiconductors to the United States totaled 3.05 billion dollars in the first nine months of this year, accounting for about 30 percent of the total outbound shipments of chips.

The suit by Micron Technology was filed in 1993 and the Department of Commerce decided on anti-dumping tariffs of 0.82 percent for Samsung, 4.97 percent for HEI and 11.16 percent for LG Semicon in March of that year.

Share of Products Imported by U.S. Increases

SK0511033895 Seoul THE KOREA TIMES in English
5 Nov 95 p 8

[FBIS Transcribed Text] Boosted by a steady increase in export to the United States, the share of Korean products there has grown for the second straight year.

The share recorded 3.14 percent as of the end of August, up from 2.96 percent in 1994, according to the New York branch office of the Korea Trade & Investment Promotion Agency (KOTRA). Its share in 1993 was 2.95 percent.

This was mainly due to the U.S.'s growth rate of import from Korea far exceeding those from other nations, according to the Department of Commerce.

The increase rate of import from Korea was 22.38 percent, and 28.7 for Mexico.

The average rate of all import goods remained at the level of 15.4 percent.

Korea's increasing share in the market is remarkable in light of the fact that Mexico's rapid increase in export was mainly due to the peso's nose-dive at the end of last year, the office analyzed.

Korea ranks eighth in trade volume with the U.S., following Taiwan and the United Kingdom, which saw a 3.85 and 3.59 share percentage, respectively.

Canada and Japan continued to mark the first and second largest trading nations with the U.S. with a 19.39 and 17.23 share percentage, respectively.

Among the tenth largest trading nations with the U.S., which saw an increase in import shares were Mexico, China, Germany and Singapore including Korea.

The share of Canada, Japan, Taiwan, Britain and France decreased.

Despite the increase in the market share, it was pointed out that the most problematic point in this regard was that there was too much concentration of import on certain products, according to KOTRA.

Ceremony Marks Local Assembling of F-16 Fighters

*SK0711080195 Seoul YONHAP in English
0540 GMT 7 Nov 95*

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP) — The domestic assembling of F-16 C/D fighter planes

under the Korea fighter program was commemorated in a ceremony at Sachon Airport in South Kyongsang Province Tuesday.

Attending the function were Korean Defense Minister Yi Yang-ho, Air Force Chief of Staff Gen. Kim Hong-nae and related officials from Samsung Aerospace Industries, Ltd., according to an Air Force spokesman.

Following the ceremony, five domestically-assembled F-16 C/D fighters did a fan-shaped formation flight display and the Air Force's air show team "Black Eagles," consisting of six A-37 fighter-bombers, performed various air feats.

The Korea fighter program calls for securing a total of 120 F-16 C/D fighters, with 12 fully-completed fighters supplied by the United States, 36 domestically-assembled planes with American-made parts, and 72 produced locally under a license granted by a U.S. aerospace company.

The spokesman said that the F-16 C/D fighters, equipped with low-altitude navigation and targeting infrared night (LANTIRN) and advanced medium range air-to-air missiles (AMRAAM), outperform regular F-16 fighters.

Burma

Editorial Says SLORC Hostile Toward Thailand

*BK041112995 (Internet) BurmaNet News in English
1 Nov 95*

[Editorial from August-September Issue of VOICE OF THE PEACOCK magazine published by the All Burma Students' Democratic Front: "Second Chamberlain?"]

[FBIS Transcribed Text] The tension between the Slorc [State Law and Order Restoration Council] military regime and Thai government has been increasing since the fall of Manerplaw. There are many problems concerning Moei River disputes, DKBO (Democratic Karen Buddhist Organization) attacks on Thai soil, the opium warlord Khun Sa, and the recent execution of some Burmese fishermen by some Thai fishermen in Burma's waters. For every conflict, the Burmese military regime has attacked the Thai government and Thai explanations of the problems. Also, the Burmese military regime has often accused the Thai government of assisting the Burmese opposition groups including ethnic armed resistance groups.

The Thai government seems to be seriously trying to solve these problems. All the border trade at Tachilek-Mae Sai, Myawadi-Mae Sot and Kawthaung-Ranong has been stopped for the past several months. Because of the closing of the border trade, both sides have been losing money. But the Slorc military regime doesn't care because all the borders are under the control of the Slorc. However, the Thai border traders have been losing their profits in logging concessions, jewellery and other commodities. In addition, some Thai politicians who have been involved in border trading for many years are unhappy about their lost opportunities. Since the closure of the border trade points, some Thai politicians and businessmen who regularly earned their profits from border trading have become united. They have been willing to fawn on the SLORC in order to get SLORC to reopen the borders. We can say that this is the main weak point of Thailand when dealing with border affairs with Slorc.

The Slorc has another trump card. The Slorc military regime has said that it must reunite its deteriorating army because of Thai-Burma border conflicts. The Slorc uses this excuse when it wants to show that Thailand is a serious source of outside danger for Burma. The Slorc does not dare to create such problems with China or India. Also the SLORC is afraid to make a campaign against Bangladesh, because they (Slorc) know how the Muslim world would respond. Therefore, Thailand is the best target for Slorc.

The Slorc is always afraid that their army will split up, so they are always loudly shouting slogans such as "Any one who tries to break up Tatmadaw [Defense Services] is our enemy", "We reject any scheme to break up the Tatmadaw", "No matters who tries to divide up, we will always remain united". Big signboards with such slogans have been erected throughout the country by the Slorc military regime. They know that their enemies are actually not outside, but inside. Internal conflict is the main problem, but to solve the internal conflict successfully, the Slorc has been creating the outside conflict to unify people and divert attention from internal problems.

Previously, the military regime has created some conflicts citing the threat of outside danger for the country like the danger of communism, the danger of colonialism and the danger of insurrection by the ethnic groups. It means the existence of a big and strong military is important for the country. But, for the time being, it is impossible to make such statements, because most of the ethnic resistance groups have made cease-fire agreements (but not peace talks) with them. At the moment, in their army, all of the high ranking army officers usually say that now the ethnic resistance groups have become our friends.

Therefore, at present, the Burmese army doesn't have any inside or outside enemy, and they seem to be jobless themselves, especially amongst the grassroots level soldiers. So, they want to go back home and don't want to stay in the jungle anymore. But some army officers and soldiers can get outside money if they are in an area where some kind of business is booming. In such a situation, it is difficult for the SLORC generals to control their army.

On the other hand, because of the political and economic crisis in Burma, the generals cannot order or manage their soldiers very well. Every soldier complains that they want to go back home if there is no enemy. Of course, the generals need to come up with some reasons to control their soldiers, so they talk about Thailand. Since 1992, in order to promote nationalism, the generals have started anti-Thai slogans among their army. They have allowed certain writers to print anti-Thai articles, poems and short stories in the military intelligence controlled journal named "Myet Khin Thit" (in English "New green grass").

The SLORC has also erected statues of King Bayintnaung, who defeated Thailand many years ago, in the border towns of Tachilek opposite Mae Sai and Kawthaung opposite Ranong. At the same time, they have been reinforcing their army and buying Chinese

made aircraft and war-ships to be ready for any potential conflict along the Thai Burma border.

At present, the relationship between Burma and Thailand can be compared to the relationship between Germany and England before World War II broke out in Europe. The Thai government looks like Chamberlain of England who went and tried to appease Hitler of Germany. But nothing can appease the wolf who has a premeditated plan to eat such a little sheep, despite the fact that the sheep has a constructive engagement policy and maintains personal friendships with Burmese Generals.

CEC Refuses To Confirm Agreement With SLORC

BK0411110595 (Internet) BurmaNet News in English 1 Nov 95

[Report from Shan Herald Agency News dated 29 October: "CEC Acts Coy on Secret Agreement Reports"]

[FBIS Transcribed Text] In response to the report which appeared in the BANGKOK POST on October 27, 1995, the Central Executive Committee [CEC] of the Shan State Restoration Council, which has assumed power since August, has apparently decided to adopt a wait-and-see policy one day after one of its members made a denial to the POST reporter.

When S.H.A.N [Shan Herald Agency News] asked for clarification of the conflicting reports, the CEC's First Secretary, Zao Khwanmong laughingly said: "As far as the CEC is concerned, the stories might even be true. But we are not admitting anything of course." He refused to elaborate further, simply saying, "If they were true, would it not be to the benefit of all those concerned?".

However, Khwanmong acknowledges that the CEC has made an offer to the Rangoon government in September for problems between Burma and the Shan State to be resolved through peaceful means instead of force. It has also requested mediation by the neighbouring countries and the 1991 Nobel laureate, Aung San Suu Kyi.

He said that the Shans have been for some time under attack from some mysterious "disinformation and misinformation campaigners," as in the case of the false reports about CEC Chairman Gunjade defecting to the "D-Day, sixth of June" mutineers. He confirmed the reports that Gunjade had arrived back at the Homong Base on Friday, October 27, after a three-month journey in the Shans' western part of the Salween.

A veteran watcher speculates that Rangoon may leave its strongest opponent to the Wa fighters and Maj. [Major] Karnyord's Shan State National Army, while it must concentrate its available forces against the Na-

tional League for Democracy that is reportedly considering boycotting the so-called National Convention held by SLORC [State Law and Order Restoration Council].

GUNJADE — THE NEW LEADER?

With the return of Gunjade from the front, the inevitable question of whether he is going to really replace Khun Sa as the Shans' new leader has arisen. S.H.A.N put this question to one of the members of the Shan State Restoration Council, who requested anonymity.

According to him, the Shan Resistance has witnessed three categories of leadership during its 37-year struggle:

- strong leadership with poor management as exemplified by Khun Sa's Shanland United Army
- poor leadership with good management as in the former Shan State Army; and
- strong leadership with good management as in the late Kornzurng's Shan United Revolutionary Army.

Thus, when the three merged to form the Muang Tai Army [MTA] in 1985 and Khun Sa emerged as the dominant leader, his leadership was the decisive factor in shaping the MTA to what it is today: a strong movement with poor management. As could be expected, problems arose and multiplied as the MTA grew from a mere 6,000 into more than 30,000, until finally they exploded into a mutiny.

"What the CEC has been doing is essentially to build up a better management, not a better leadership. But a movement needs both in order to survive and succeed. So unless Gunjade is able to provide both, it is going to need Khun Sa no matter what external opinions are against them."

The question therefore is whether Gunjade is up to the demands of the job, or Khun Sa still play the leading role while permitting the introduction of a more efficient management and, if so, how they are going to deal with the public image which is definitely not in their favour.

The member, perhaps wisely, refused to answer.

Brunei, Malaysia & Singapore Malaysia

Finance Minister Presents 1996 Draft Budget

*BK0211033195 Kuala Lumpur NEW STRAITS TIMES
in English 28 Oct 95 pp 12, 13, 14*

[Text of the 1996 budget speech by Finance Minister Datuk Sri Anwar Ibrahim presented at the House of the Legislative Assembly in Kuala Lumpur on 27 October]

[FBIS Transcribed Text] Two years ago, when our economy experienced its seventh year of growth exceeding eight per cent, I suggested that we take a lesson from the story of Prophet Yusuf which is that seven fat years does not preclude the possibility of seven lean years to follow. Owing to sound economic planning and management and a policy of prudent expenditure and proactive measures not only have we been able to resolve most of the problems, but also improve our economic performance. Even though we are still enjoying another good year we need to remain as vigilant as ever in order to deal with new and unexpected challenges.

We are now in the eighth year of high growth. Based on our excellent performance, confidence and vigilance, we are putting forward this 1996 Budget to ensure the realisation of Vision 2020 and fulfil our compact with the people. Towards that end, we are proposing appropriate strategies, including various fiscal, financial and administrative measures. Our aim is to further stimulate growth, ensure social equity and harness our human resources to master new technologies.

Such an approach makes Malaysia unique among developing countries. Economic development is always given a high priority. Nevertheless, unlike the conventional approach to development, our economic policies are based on the overall objective of achieving holistic development including social justice, as well as the enhancement of knowledge, intellect and character, as well as enrichment of culture.

Our development is based on the concept of justice and equity, implemented as a trust to fulfil the dictates of the principles of reciprocity as propounded by Confucius under the Doctrine of Su. That is to say, when leaders and the Government act responsibly and show genuine concern for the interests of the nation and the welfare of the people, the people in turn will readily reciprocate by supporting the leadership and endorsing the Government's policies. We are grateful that this spirit of reciprocity prevailed during the April general elections. The rakyat [people] gave their wholehearted support to the Barisan Nasional [National Front] Government because of the unwavering commitment to the principles of jus-

tice and equity. The resounding victory of the Barisan was also a tribute to the outstanding leadership of Prime Minister Datuk Sri Dr. Mahathir Mohamed. The Government is like:

A majestic tree in the field,
providing cover from the sun
and shelter from the storm

International Economic Scenario

The world economy is expected to expand at a rate of 3.3 per cent in 1995 with most countries, including industrial nations, experiencing robust growth. In the developing countries, growth prospects continue to be encouraging. East Asian economies and Latin American countries are expected to record impressive growth of 7.5 per cent and 2.7 per cent respectively. These encouraging developments are expected to further stimulate the growth in this region. Therefore, the Malaysian economy must remain dynamic and competitive to take full advantage of these developments.

However, while we continue to be optimistic about the international economic environment, we need to be sensitive to and wary of the continuing negative elements in the external economic environment especially the inequitable relationships between industrialised and developing nations, trade frictions, instability in the financial system, social tensions, as well as unexpected events like the Mexican crisis. As such, our economic fundamentals must always remain strong and problems arising must be addressed and managed in a timely fashion. Only then can we truly benefit from the positive developments that occur in the global economy.

The Government will continue its efforts at reforming, deregulating and liberalising the economy due to the positive effects of such policies. However, these efforts should be implemented according to our needs and capabilities and not be dictated by others. We need not adopt policies set by others, as these are influenced by their own domestic considerations and that of their private sector who feel threatened by the more dynamic and competitive Asian companies. We are aware of their proclivities to impose non-tariff barriers and other conditionalities relating to basic human rights, worker rights and environmental issues.

The global financial system came under some pressure during the early part of the year due to the instability of the foreign exchange markets arising from the failure of developed countries to deal with the structural problems facing their economies. The situation in the international financial markets came under stress when the United States did not show any will to manage its fiscal deficit

and instead threatened other countries, especially Japan with unilateral action in order to balance its trade deficit.

The failure of G-7 nations to achieve a consensus on these issues further complicated the situation. Fortunately, the situation improved in the middle of the year with the strengthening of the U.S. dollar.

The Malaysian Economy

Our economy continues to be well-managed. This is clearly reflected in our achievement of rapid growth and the improvement in living standards. Let me mention a few indicators of economic success:

— First: real gross domestic product growth increased at an average rate of close to nine per cent per annum for eight consecutive years compared with 9.2 per cent in 1994. In fact, growth this year is expected to accelerate to 9.6 per cent;

— Second: the rate of inflation declined to 3.4 per cent for the first nine months of 1995 compared with 3.7 per cent in the corresponding period of last year. This strengthens our belief that we can achieve zero inflation;

— Third: there is full employment with unemployment declining to its lowest at 2.8 per cent. Our efforts will be to develop a skilled and efficient work force;

— Fourth: the rate of gross national savings of 34 per cent to Gross National Product (GNP) is comparable with that of South Korea and higher than that of Japan. This means that we have the capacity to finance a major proportion of national investment from our own resources

— Fifth: the burden of national debt continues to be low with the debt service ratio declining to five per cent and more importantly the government has no need to borrow;

— Sixth: the growth in GNP is supported by a 20.9 per cent increase in private sector investment which accounts for more than two-thirds of the nation's investment;

— Seventh: the nation's exports increased by 22 per cent to total RM [Malaysian ringgit] 187 billion. In the international trade arena, we are the 19th largest trading nation. The structure of our merchandise exports has changed, with the contribution of manufactures increasing from 59 per cent in 1990 to 80 per cent of total exports in 1995 and the contribution of agriculture to overall export earnings declining from 20 per cent to 11 per cent;

— Eighth: the inflow of long-term foreign capital is projected to increase to RM20 billion from RM16 billion last year, especially in capital-intensive industries. This

trend has allayed fears regarding the outflow of capital from the country; and

— Ninth: Malaysia's credit rating has been upgraded by international rating agencies as follows:

(I) Moody's Investor Services: from A2 in 1994 to A1 in 1995;

(II) Japanese Bond Rating Institute: from AA- to AA in the same period; and

(III) Standard and Poors: from A to A+ in the same period.

While these are important indicators, even more important are the distribution of income and the well-being of the rakyat. In this respect, social indicators have shown significant improvement as compared with the position at the commencement of the Sixth Malaysia Plan in 1990:

— First: income per capita increased from RM6,216 (U.S.\$2,302) to RM10,068 (U.S.\$4,027). Based on purchasing power parity, we have achieved an even higher value of U.S.\$11,328;

— Second: the incidence of hardcore poverty has declined from four per cent to 2.2 per cent. This indicates that the strategy to completely eradicate poverty among the hardcore poor before the year 2000 is realistic;

— Third: life expectancy for males increased from 68.8 years to 69.7 years while that of females from 73.3 years to 74.2 years;

— Fourth: in terms of health facilities, the population to doctor ratio has improved from 2,533 to 2,063 [as published] while the number of rural clinics increased from 2,547 to 3,246;

— Fifth: the literacy rate showed an improvement from 85.1 per cent to 89.3 per cent. The percentage of primary schoolchildren who continued their education to secondary schools and training institutes increased from 84.4 per cent to 88.1 per cent. The number of students continuing their education to local institutions of higher learning increased from 102,588 to 130,705;

— Sixth: the proportion of rural population with access to potable water and electricity rose from 66 per cent and 63 per cent to 85 per cent and 92 per cent respectively;

— Seventh: access to telephones rose from 8.9 lines per 100 population to 14.7 lines per 100 population, and

— Eighth: the number of television viewers have increased from 76 per cent to 84.5 per cent of the total population.

Though successful, we face challenges associated with high growth. However we have to anticipate problems and take appropriate and timely action.

— First: In 1995, the merchandise account is expected to record a deficit of RM500 million, the first such deficit since 1982 while the deficit in the services account continues to deteriorate. Consequently the deficit in the current account is expected to increase to RM18.1 billion or 9 per cent of GNP.

We need to be resourceful and firm in addressing this problem. We should not act in haste but tackle the problem like we did in overcoming debt servicing, unemployment and the Government's financial position. In any case, the deficit should be viewed in the context of an economy that is rapidly expanding and in need of modernisation and further development of infrastructure. The deficit is not the result of imports of consumer goods.

The source of the deficit when examined closely, is the result of increased imports of capital and intermediate goods, which together account for 86 per cent of the nation's total imports, a proportion of which constitutes lumpy imports. Lumpy imports, estimated at RM10 billion for 1995 comprise the RM5.4 billion procurement by oil companies (including Petronas [state oil corporation]) for drilling and exploration activities, RM2.5 billion purchases of aircraft by Malaysia Airlines System Bhd [limited] (MAS) and RM704 million purchases of ships by Malaysian International Shipping Corporation (MISC) and Perbadanan Nasional Shipping Line Berhad (PNSL) [National Shipping Line Agency Limited]. In addition, imports of defence equipment totalling RM1.4 billion are required to replace and modernise defence equipment. Other large imports include equipment and machinery for the generation of electricity, including that of Independent Power Producers (IPPs), imports for the expansion of ports and the purchase of telecommunication equipment. The private sector has also contributed to the increase in the import of capital goods, particularly for machinery and industrial equipment.

The large deficit in the services account is also due to net outflow of investment income which is projected at RM11 billion or 62 per cent of the current account deficit in 1995. However, a large proportion of this outflow is in the form of dividends and profits of foreign companies which are in fact reinvested in the country. This large reinvestment reflects the success of investment incentives and the confidence of foreign investors in the political and economic stability of the nation.

The deficit has also been brought about by increased payments abroad for services, particularly freight and

insurance and contract and professional services. Up to now, the services sector is still not sufficiently competitive to export services and substitute for imports, particularly for transportation, insurance, and contract and professional services. The purchase of ships by MISC and PNSL which in the interim, has contributed to the deficit will also serve to overcome this problem.

With the inflow of foreign capital estimated at RM2 billion, the basic balance encompassing both the current and capital account will register a surplus. The current account deficit is financed by long-term foreign capital inflows and not by inflows of short-term capital. The surplus in the basic balance will be even larger if not for reverse investments estimated at RM5.4 billion in 1995. However Malaysian investment abroad will benefit the nation by increasing export and linkages between domestic industries and industries abroad. We must, however, ensure that these investments are channeled to productive sectors.

— Second: Continued rapid economic growth has resulted in price increases brought about by cost-push factors, particularly for food, rapid increase in aggregate demand, supply constraints and problems related to the structure of the market. The well-being of the people will be adversely affected if price increases cannot be contained.

The Government will make every effort through a combination of monetary, fiscal and administrative measures to combat price increases, particularly for basic necessities.

The strategies and measures which have been drawn up for a number of years have produced results that we can be proud of bringing about a decline in inflation from 4.7 per cent in 1992 to a more moderate level of 3.4 per cent in the January-September 1995 period. While this success is outstanding, especially in an environment of rapid economic growth, we need to be fully aware and wholeheartedly committed to combating inflation.

— Third: Labour market constraints. With a situation of full employment, the number of foreign workers as increased. We will no longer encourage investment in low technology and labour-intensive industries except in the eastern corridor states or growth triangles. Additional incentives have been introduced to:

- (I) shift to sophisticated capital-intensive technology and increase automation; and
- (II) double efforts to expedite the development of a progressive and forward-looking labour force.

To deal with these problems, the Budget Strategy for 1996 is as follows:

- (I) Sustaining growth with low inflation;
- (II) Strengthening the capabilities of the services sector;
- (III) Upgrading the development of human resources and technological capabilities; and
- (IV) Continuing the agenda for social development.

A Prudent and Equitable Budget

We have balanced the budget for the last three years. This was achieved in spite of tax reductions and increases in necessary expenditure and development expenditure. It is clear that the Government has managed to sustain this achievement by exercising care and prudence in spending and will continue to control expenditure. The positive results of our fiscal discipline are the surpluses in the current account of the Federal Government which has contributed to an increase in public sector savings account for 38 per cent of nation savings.

1996 Budget Allocation

I propose a total of allocation of RM55.467 billion for 1996. From this amount, RM41.266 billion is allocated for operating expenditure while RM14.201 billion is allocated for development expenditure. This sum represents an increase of 2.4 per cent compared with the current year's allocation.

Revenue is forecast at RM54.376 billion in 1996, an increase of 7.9 per cent compared with an increase of only 1.9 per cent in 1995. This increase is due to rapid economic growth, despite several deductions and duty exemptions in the 1995 Budget. After taking into account total expenditure and loan repayments, the Federal Government's account will register an overall surplus of RM2.1 billion. The surplus does not take into account the potential loss in revenue amounting to RM437 million resulting from tax measures that I am proposing in this Budget.

Operating Expenditure

From the allocation for operating expenditure, a sum of RM12.209 billion will be towards financing civil service emoluments. This includes an amount of RM2 billion for salary adjustment. A similar amount has also been provided this year. Although the Government has tried to reduce the increase in emoluments by controlling the growth in the size of the civil service, the creation of new posts for critical services is unavoidable. These services include the education, health and other services which contribute to the nation's economic growth.

Under Grants and Fixed Payments a sum of RM21.077 billion is allocated for grants to State Governments and statutory bodies debt servicing, pension and gratuity payments and contributions to Statutory Fund. A total of

RM6.017 billion is allocated for Services And Supplies for maintenance, rental, purchase of items and other departmental operational expenditure. A total sum of RM882.3 million for assets is for the purchase of equipment and office facilities and for maintenance of buildings. The balance of RM1.081 billion is for other payments including refunds of income taxes and customs duties.

Development Allocation

In 1996, I propose to allocate a sum of RM14.201 billion to finance development projects. A total of RM5.768 billion or 40.6 per cent of the development expenditure is for the economic sector. A total of RM3.840 billion or 27 per cent is for the social sector, RM3.154 billion or 22.2 per cent for security and RM939.3 million or 6.6 per cent for the general services sector. The balance of RM500 million is for the Contingency Reserve.

Sustaining Growth With Low Inflation

Macroeconomic management will be oriented to maintaining growth with low inflation. Therefore, the Government will continue its tight monetary policies to support and maintain economic growth. The extension of excessive credit for the purchase of assets and consumption will not be encouraged, whilst measures to increase savings will continue to be undertaken. In addition, the Government will continue its efforts to address the constraints in production, as well as to increase the productivity and competitiveness of the nation. Measures which will be taken to achieve this objective include the promotion of the services sector, cost reduction for the manufacturing sector and the promotion of selected high-technology industries.

Monetary policy will be tightened to contain excess aggregate demand and curb inflationary pressures. Although monetary policy was tightened in 1995, monetary growth was still high because of the increase in private sector lending. It is therefore, important that monetary policy in 1996 continues to be one of restraint. The overall objective of monetary policy is to ensure price stability so as to enable sustained economic growth over the medium and long term. The Government will continue with its effort to ensure that the growth in money supply and bank credit is consistent with the growth in real economic activity. Nevertheless, the Government will remain pragmatic in its approach to monetary management, and will certainly take into account current and expected domestic and international development in the conduct of monetary policy.

Increasing Savings

Our rate of gross national savings of 34 per cent of GNP is considered high. However, the increase in the rate of savings is lower than the rate of increase in investment. This has resulted in a widening of the resource gap from 6.2 per cent of GNP in 1994 to an estimated 8.9 per cent in 1995.

Today, the rate of contribution by employees to the Employees' Provident Fund (EPF) is 10 per cent, while employers contribute 12 per cent. To increase savings I propose to increase the rate of contribution by employees to 11 per cent effective January 1996. The proposed increase in contribution will not burden them, but will instead ensure their well-being in the future. It should be pointed out that a substantial number of contributors have very small balances with the EPF. The rate of contribution of the employers was increased from 11 per cent to 12 per cent in 1993. The Government will be firm with employers who are irresponsible and refuse to make the necessary contribution to the EPF.

At the same time, the corporate sector should contribute to the effort to increase national savings by establishing private pension funds for the benefit of their workers. Today, a maximum deduction of 16 per cent is allowed for income tax purposes for contribution by employers to the EPF and approved schemes. I propose to increase this maximum deduction to 17 per cent.

I also propose to issue yet another National Savings Bond totalling RM1 billion in 1996 given the encouraging response to the previous issue.

I also propose to exempt from income tax, interest income received by individuals on savings and fixed deposit accounts with financial institutions as follows:

- (I) savings accounts of up to RM100,000;
- (II) fixed deposits of less than 12 months and up to a maximum of RM100,000;
- (III) fixed deposits of 12 months or more.

This exemption also applies to gains on savings and investment accounts under the Interest-Free Banking Scheme (IFBS).

Better health among the citizens: Productivity is increased and the cost of providing health services is lower. In efforts to enhance the quality of healthcare services in this country, I propose to abolish import duties and sales taxes on all basic medical equipment. Should there be any medical equipment still subject to duty, a separate application to obtain such exemption can be submitted to the Treasury for consideration. The Gov-

ernment hopes that practitioners in the health industry will channel such benefits to their patients.

Today, the tax relief provides for contributions to approved pension funds and premiums of life insurance (takaful) is subject to a maximum deduction of RM5,000. I propose to increase this relief by RM2,000 especially to cover premiums on education and medical insurance. This is to encourage savings for education and health, as well as to develop the education and healthcare industries.

Lowering Individual Income Tax

The rate of individual tax was reduced last year. In spite of this, government revenue has increased. Therefore, I am encouraged to further reduce individual income taxes. I propose that the maximum rate of income tax be reduced from 32 per cent to 30 per cent. For other groups the rates of tax will be reduced between one and two percentage points. The low-income group will not pay any income tax. For the middle income group this represents a significant reduction. Taken together with the reduction in tax rates and the increase in tax relief before this, a total of 525,000 taxpayers or 37 per cent of total taxpayers will no longer have to pay income tax. Now that the rates of income tax have been reduced, the machinery of the Department of Inland Revenue will be even more vigilant in taking action against those who attempt to evade taxes. As a measure to reduce the burden of taxation borne by cooperatives, I propose that the maximum tax rate on chargeable income earned by co-operatives exceeding RM500,000 be reduced from 2 per cent to 30 per cent. For chargeable income below this amount, the rates of tax will be reduced between nine and two percentage points.

We need to be reminded that the purpose of reducing individual income tax is to lessen the burden of the rakyat. But it is hoped that they will work harder and more conscientiously. However, if taxes are reduced and working days shortened, then development will slow down.

Reducing Consumption

We have managed to achieve high growth with low inflation. In fact, we are targeting for zero inflation. Combating inflation requires the commitment of everyone. This calls for sacrifices. Firstly, we must not be extravagant; secondly, we must save. Extravagance is the result of affluence and easy access to credit. What is alarming is the increasing use of credit cards. The number of credit cards has increased significantly from 700,000 in 1990 to 1.6 million as of June.

Total outstanding balances of credit cards amounted to RM2.5 billion. As such, it is appropriate to take steps to curb its unrestrained use. Therefore, I propose that the minimum payment on credit cards be raised to 15 per cent of monthly balances. This measure is a follow-up to the recent measure by Bank Negara Malaysia [central bank] relating to the purchase of houses and cars.

Sales of passenger cars have increased significantly by 50 per cent in the first eight months of 1995. The road tax on petrol passenger cars has not been increased since the last 12 years. I propose that the road tax on small and medium-sized cars, that is, 2,000cc and below be maintained. However, for luxury cars that is, individually-owned passenger cars with cylinder capacity above 2,000cc, I propose that the rate be increased by 25 per cent that is, an increase ranging between 20 sen to 90 sen per cc. For petrol passenger cars owned by companies, I propose that the rate be increased from two to three times the rate levied on private petrol passenger cars.

Increasing Food Supplies

More than 50 per cent of the increase in the rate of inflation is caused by rising prices of food. The increase in prices is due to shortages in the supplies of food resulting from a decline in the land area for food production, uneconomic sizes of cultivable land and increases in exports of food. In this regard, I have repeatedly called upon State Governments to increase land for food production. To further facilitate the financing under the Fund for Food, I have liberalised further the criteria for loans, reduced the rate of interest and the minimum size of loans. Small farmers are also exempted from providing collateral if they obtain the support of farmers' association.

As an additional incentive, I propose to extend the eligibility of the Reinvestment Allowance to include the production of essential food items such as padi, maize, fruits, vegetables the rearing of livestock and the production of aquaculture. Today, this incentive is only enjoyed by manufacturing concerns. With this extension, large estates will be encouraged to be in the production of food.

In addition, import duties on specific equipment and inputs that are directly used in the production of food on a commercial or group enterprise basis will be exempted.

I also propose to rationalise the Reinvestment Allowance as was done with the Investment Tax Allowance. In the 1992 Budget, the Government reviewed the incentives offered for new investment projects, namely the Pioneer Status or the Investment Tax Al-

lowance so that they contribute some taxes to meet the revenue needs of the government. Since the Reinvestment Allowance is widely used, I propose that the mechanism for the granting of this incentive be made consistent with that of the Pioneer Status or the Investment Tax Allowance. Accordingly, companies enjoying the Reinvestment allowance would be exempted up to 70 per cent of the statutory income for any particular year, while, the balance of such income would be taxed at the prevailing rate. Any unabsorbed allowance would be allowed to be carried forward into the following years until they are fully utilised. Therefore, a company enjoying the Reinvestment Allowance would have to pay about nine per cent income tax in any particular year, which is the same rate payable by a company enjoying incentives for new investment. To ensure that Reinvestment Allowance remains attractive, I also propose that the rate of qualify of capital expenditure be increased from the present 50 per cent to 60 per cent. Further, companies located in the eastern corridor of peninsular Malaysia, Sabah and Sarawak would be allowed flexibility to utilise fully the allowance in a single year.

Reduce Speculation in Real Estate

The increase in prices of real estate is due to the rise in income, and the significant acquisition of properties by foreigners. Recently, the government tightened the Foreign Investment Committee (FIC) guidelines on the acquisition of real estate by foreigners by limiting the purchase of houses by foreign interests to those exceeding RM250,000 per unit. As an additional measure, I propose that a levy of RM100,000 be imposed by the relevant State authority on every purchase of real estate by foreign interests. Further, as a measure to curb speculation in real estate, I propose that the real property gains tax rate be increased from 20 to 30 per cent for disposal within two years after acquisition. Tax rates for disposal within the third year after acquisition will be increased from 15 per cent to 20 per cent and within the fourth year from 10 per cent to 15 per cent. The disposal of any real property by non-citizen individuals will be subjected to a flat tax rate of 30 per cent.

Reducing the Cost of Business

The manufacturing sector will continue to be assisted in particular, to reduce the cost of procuring raw materials and equipment. Transparency in the systems and procedures governing imports will improve efficiency of the manufacturers. As an effort to further improve the duty and tax exemption, I propose that import duties and/or sales tax on raw materials/components and equipment be abolished.

This measure will cover 800 items which comprise food preparations from fruits, materials for plastic products, textiles, precious stones and silver for jewellery, iron and steel and a variety of electric motors and generators. Printing equipment is also included to enhance the dissemination of information.

Competition must be encouraged among producers and sufficient supplies must be assured for the domestic market. After being given protection for such a long time, domestic industries have become more efficient and are capable of competing with imported products. To ensure that domestic producers remain competitive, I propose to reduce the level of tariff protection. Therefore, I propose that import duties on more than 710 items which have been protected for more than 10 years be reduced. These items include plastic goods such as pipes and tubes, textiles, iron and steel-based products and electrical apparatus such as water heaters, electric control panels and insulated cables. These measures are in line with Malaysia's commitment to trade liberalisation among member countries of the World Trade Organisation (WTO) and the Asean Free Trade Area (Afta).

Developing The Capital Market

The capital market in Malaysia is now rapidly developing. Total net funds mobilised from the capital market, including private debt securities, have increased significantly from RM9.4 billion in 1991 to RM18.8 billion in 1994. In the first eight months of 1995 RM11.2 billion was successfully raised in the capital market. Financial instruments under the Islamic Banking Scheme have also been successfully introduced. The Islamic nations have now recognised our capability to introduce new and sophisticated financial instruments. Indeed, we are far ahead in terms of the introduction and implementation of new Islamic financial instruments. This is consistent with the objective of making Malaysia a premier centre for Islamic Banking in this region. Still there are many avenues for developing and upgrading the excellency of the domestic capital market. In addition, the industry must continuously upgrade the level of skills and professionalism of its management.

We will continue with our efforts to turn Kuala Lumpur into a capital market centre for the region in addition to making Labuan a successful International Offshore Finance Centre (IOFC). Recently, I announced a number of measures to liberalise the regulations governing the capital market, in particular those relating to the asset management industry, debt securities and stock market to further strengthen these industries. Today, I wish to announce additional measures to further develop the capital market in Malaysia.

Developing the Bond Market

To achieve the objective of developing the bond market through the private debt securities market, a system for electronic transfer of funds and securities in short—SPEEDS—will be streamlined.

Further action will be taken to eliminate the overlapping functions among regulatory authorities involved in the issuance of bonds. As a measure to further encourage the development of the bond market I propose that interest income from specific bonds received by listed closed-end funds and unit trusts be exempted from tax.

The Establishment of the Futures Market

Amendments to the Futures Industry Act, 1993 were approved to enable the Securities Commission to regulate more effectively activities in futures trading. Both the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) and the Malaysian Monetary Exchange (MME) will set up the Malaysian Derivatives to commence by the end of the year. Consistent with efforts to ensure the success of these new financial industries, I have approved income tax exemptions for KLOFFE and MME.

The Establishment of a Malaysian Accounting Standards Board

The development of the capital market also requires a high level of financial reporting and disclosure in the corporate sector. In this connection, I wish to announce that the Financial Reporting Foundation and Malaysian Accounting Standards Board will be set up to formulate accounting standards and identify areas of regulation and enforcement.

With the maturity of the market and the introduction of sophisticated financial instruments, the level of monitoring will be upgraded and the interest of investors, including small investors, will be protected.

Reducing the Pace of Imports

In order to avoid the large impact arising out of imports for the simultaneous implementation of big projects, or bunching of projects, the government is in the process of examining the mega projects with the possibility of rescheduling their implementation. In carrying out these projects in stages, the government will not only ensure that components are sourced locally but also see to it that the production of these components are undertaken locally. For example, the aerobridges and baggage handling equipment for the KL [Kuala Lumpur] International Airport (KLIA) will be manufactured locally.

The Government will also step up its plan to have offset programmes in the implementation of projects while encouraging non-financial public enterprises (NFPEs) and private companies to make use of local components and existing equipment when implementing their projects. Further, project cost estimates will be thoroughly scrutinised. For example, for the KLIA, the cost of construction currently estimated at RM8 billion to RM9 billion is significantly lower than the originally announced estimate of RM20 billion.

The nation continues to be dependent on the import of new machinery and equipment for the construction sector like bulldozers, excavators, pile-drivers and tower cranes. However, there are many abandoned and unused machinery and equipment that can be reconditioned to be used subsequently. This activity will promote the development of the domestic machinery and engineering industries. To encourage such activities, I propose that the activity of reconditioning heavy machinery and equipment be listed as one of the promoted activities under the Promotion of Investment Act 1986. This means that companies undertaking such activities are eligible for pioneer status or investment tax allowance.

Another factor that contributes to the deficit in the services account is the payment for contract and professional services which has increased from RM2.2 billion in 1990 to RM4.6 billion in 1994. Of this, NFPEs accounted for more than 25 per cent or RM1.2 billion. Therefore, the government will introduce more stringent guidelines to govern the recruitment of foreign professionals, including training, to ensure the transfer of technology.

To reduce imports and encourage the local component industry, linkages between the SMIs (small and medium industries) and multinational companies need to be further strengthened. Under the programme to develop a Bumiputera [indigenous people] business community, the number of vendors under the vendor development programme (VDP) in various ministries and corporations has increased to 115. The Small and Medium Scale Development Corporation has been established to provide advisory services, guidance and training to the SMI entrepreneurs. In domestic tourism products, small and medium-priced would be increased.

In line with the government's efforts to encourage the growth of industries throughout the country, 10 SMI industrial sites costing RM50 million is being implemented. Easier credit terms will be made available to the SMIs through the newly-launched Domestic Investment Fund with an allocation of RM1 billion which will be operational in 1996.

Developing Entrepreneurs

A Fund for the Assistance of Small Entrepreneurs has been set up to co-ordinate the funds contributed by Perbadanan Usahawan Nasional Berhad (PUNB) [national entrepreneurs corporation limited], Credit Guarantee Corporation (CGC) and an allocation by the government. Through this fund RM400 million will be made available. Bumiputera entrepreneurs are expected to benefit from easier credit facilities for the purpose of start-up funds, equity participation in companies with potential, participation in franchise businesses and others.

Strengthening The Capabilities of The Services Sector

The current account deficit in the balance of payments is due to increasing net outflows of services. The services deficit amounts of RM18.1 billion or nine per cent of GNP. The sector contributed a 44 per cent share of GDP. The services sector lacks dynamism and capability to be able to compete with foreign service providers. As such, this sector needs to be modernised and made more dynamic to enable it to act as a catalyst to economic development and to explore opportunities to export services.

Currently, tax incentives are only available to selected industries in the services sector like hotel, tourism and shipping. I propose to introduce tax incentives under the Income Tax Act 1967 [or approved service projects in the communications, public utilities and transportation sub-sectors. The emphasis on these three sub-sectors is consistent with the privatisation policy as well as to enhance the contribution of the services sector to the nation's economic development. Subject to specific criteria, tax incentives will be provided as follows:

- income tax exemption of between 70 and 100 per cent on statutory income for a period of between five and 10 years
- investment allowance of between 60 and 100 per cent on qualifying capital expenditure for a period of five years. This allowance is allowed as a deduction of between 70 and 100 per cent of statutory income; and,
- industrial building allowance for the construction of buildings under approved service projects.

Developing Domestic Tourism

Malaysia has succeeded in maintaining tourist arrivals at seven million a year. Foreign exchange earnings have increased from RM4.6 billion in 1990 to RM8.9 billion in 1994. Facilities and domestic tourism products,

including new resorts and medium-priced accommodation, should be increased. In this regard, the success of the Seri Malaysia chain of hotels is most encouraging. At the same time, efforts at marketing and promoting domestic tourism should be enhanced. Emphasis is also given to the establishment of cultural infrastructure and fine art centres.

Malaysians love to travel abroad and last year alone 6.8 million of them travelled overseas. Therefore it is appropriate for the Government to collect some taxes from them. I propose that the airport tax for international travel be raised from RM20 to RM40 effective January 1996. Malaysia is known as an attractive tourist destination, offering places like Langkawi, Mulu caves, Malacca, Kota Kinabalu and Penang. It is a pity that Malaysians do not appreciate the beauty of their own country and travel domestically.

Increasing the Utilisation of Ports and Shipping

The Government has spent a total of RM3.6 billion in the Sixth Malaysia Plan to encourage the use of the nation's ports by increasing the capacity and efficiency of Port Klang, Penang Port and Kuantan Port.

A new port will be built in Tanjung Pelepas in Johor. We intend to make Port Klang an entrepot used by ships all over the world. In connection with this, the Electronic Data Interchange will begin its operation on Oct 31 to enable cargo clearance procedures to be undertaken more efficiently.

Under this system, electronic customs clearance will be made available to all categories of users including forwarding and shipping agents, banks and importers and exporters in the Klang Valley using the facilities in Port Klang.

Bunker services will also be available in West Port in Port Klang. Port Klang has also been designated as a Free Commercial Zone to facilitate cargo transfer and re-export activities.

To increase utilisation of domestic ports, I propose to increase the rate of levy on goods vehicles leaving this country from RM100 to RM200, excluding those transporting perishable goods. For laden vehicles entering Malaysia, a levy of RM100 will be imposed.

Global Maritime Venture Berhad [limited], which was established under the Shipping Fund, presently operates and owns 11 ships and has invested in two subsidiary companies owning 18 ships.

Meanwhile, in order to increase the utilisation of locally-owned ships, the Government will introduce more stringent conditions on NFPEs so that they import on

an FOB and export on a CIF basis. This measure will also reduce the outflow on freight and insurance.

Enhancing Insurance Retention Capacity

About 93 per cent of large and specialised insurance is still ceded abroad in the form of re-insurance. In order to enhance the level of premium retention, I announce the setting up of the "Malaysian-Re International Insurance (Labuan) Limited" operating from Labuan.

This will be a joint venture among Tenaga Nasional Berhad [limited, TNB], Syarikat Telekom Malaysia [Stm], Petronas [National Oil Corporation], MAS [Malaysia Airlines], MISC [Malaysia International Shipping Corporation], Bank Bumiputera, Public Bank, Malayan Banking, DCB Bank, Bank of Commerce, Armed Forces Fund and Malaysia National Re-Insurance Berhad.

With an authorised capital of US\$200 million (RM508 million), it will be the largest re-insurance company in this region. This company will also exploit the business opportunities in this region.

Supporting the Export Sector

The Government has recently launched the Export-Import Bank of Malaysia Berhad, aimed at enhancing exports, including the export of services. It will offer financial services and facilities to enhance international trade through a programme of financing investment for export-oriented sectors.

With the establishment of the bank, the Malaysian export sector must strive to enhance its competitiveness and exploit non-traditional markets. As a way to continue to promote exports, I propose that certain types of expenditure to promote the export of services, be accorded double deduction for income tax purposes.

To ensure the export of processed palm oil continue to be competitive in the international market, I propose to suspend the export duty on this product effective Nov 1 for a period of one year. This is needed because at prevailing prices, processed palm oil has become increasingly expensive.

The export duty structure will be reviewed in order to encourage palm oil refineries to maximise value-added, so that they can compete more effectively in the world market.

Developing Information Technology

An explosion in information and the revolution of its technology have given rise to a variety of new industries. We must move away from being mere users (if

multimedia products, computers, Internet and telecommunications to being suppliers and developers of information technology. To enhance the growth of the information industry, we must develop a modern telecommunication infrastructure, electronics, computers and software. We have therefore constructed Menara Kuala Lumpur, upgraded the nation's telecommunications network, including the launching of the Malaysia East Asian Satellite or Measat 1, the setting up of a multimedia super corridor besides providing appropriate expertise.

As a measure to encourage the use of computers among the rakyat [citizens] as well as modernising private sector operations, I propose that:

- (i) the sales tax on computers and their components including software be abolished; and
- (ii) in the computation of income tax, the capital allowance related to expenses on computers and other information technology equipment be allowed as a deduction over a period of two years.

Multimedia Super Corridor

The Government will develop the area between Kuala Lumpur and Sepang, including Putra Jaya and KLIA [Kuala Lumpur International Airport], encompassing an area of 15km in width and 40km in length as the multimedia super corridor. The project will attract international multimedia companies with high technology to locate their operations here, whilst making Malaysia a regional centre to channel their services in other countries to this region. This will increase overall infrastructure, optic fibre network and networking with industries to acquire new and sophisticated technology which is presently unavailable in the country.

Privatisation

Privatisation has been widely accepted and is recognised as a major policy of the Government. Privatisation has created opportunities for the private sector to make a positive contribution to the nation. Therefore, a number of activities like health services, treatment of toxic wastes and public transportation and other services, will be privatised. The Government has taken steps to reduce its holdings and involvement in government-owned companies through Khazanah Nasional Berhad [National Treasury Limited] (and Minister of Finance, Incorporated). Khazanah Nasional Berhad will also undertake investments in the field of electronics, information technology and production of high-tech materials such as advanced composite material and silicon wafers.

Promoting Arts and Culture and the Broadcasting Industry

The broadcasting field is still largely dependent on imported material, particularly those from the West. If this situation is allowed to continue, we will not only experience a larger outflow of funds, but also continue to be exposed to and bombarded with foreign culture that can challenge and marginalise our culture.

Cultural conflicts have become even more significant in an era of globalisation, and these conflicts have increased in intensity in broadcasting and popular culture. To enrich culture, a sum of RM75.31 million is proposed for culture and the arts in 1996. For the local broadcasting industry, I have given import duty exemption for broadcasting equipment to local broadcasting companies. I have also agreed to give exemption of import duties for production and post-production equipment for the film and music industry based on the application made by relevant enterprises. Further, I propose that entertainment duty be exempted on admissions to stage plays organised by local theatre groups in the Federal territories of Kuala Lumpur and Labuan. It is hoped that State Governments will extend the same exemptions in their states. In my view, one State may not agree to this. But Mak Yong [traditional play and dance] cultural troupes are most welcomed to perform in other states. To upgrade the quality of this industry and to enrich national culture so as to enable it to project Asian values in the global community, I propose to establish a fund totalling RM50 million. This fund will be used to develop the fields of drama, broadcasting and filming, that is for comprehensive training programmes for producers, technicians, cameramen, audio-visual engineers and also credit for the purchase of equipment and facilities. In order that the arts continue to flourish, the private sector should also promote these activities and follow the example of Petronas in forming the Petronas Symphony Orchestra.

Upgrading the Development of Human Resources and Technological Capabilities

A sum of RM11.782 billion is allocated for education and training in 1996. In line with this, the Government will continue to reform the nation's education system taking into account the current pace of the nation's development and industrialisation.

To develop a skilled population, the education curriculum will be changed and enrollment increased to produce a large number of technicians and engineers.

The policy to restructure secondary vocational schools into secondary technical schools will be implemented in stages beginning 1996.

Following the emphasis in last year's Budget, all Ministries and agencies are encouraged to improve training and technology. Computer programmes in education will be expanded. These programmes will cover aspects in basic skills in the use of computers as a means for the acquisition and enhancement of knowledge. The role of the Industrial Training Institute, Mara and Institut Kemahiran Belia Negara [National Institute of Skilled Youths] will be enhanced.

To promote the democratisation of higher education, all institutions of higher learning will introduce distance learning beginning with the academic year 1996. Government corporations like the TNB, STM and Petronas will double their efforts to produce a large number of skilled workers. Petronas will take over the Universiti Sains Malaysia branch campus in Perak, to be turned into the Petronas Institute of Technology with university status. In addition, Petronas will also own two more training institutions in Batu Rakit, Terengganu and in Matang, Sarawak. TNB will upgrade the status of Institut Kejuruteraan Teknologi Tenaga Nasional (Ikatan) [National Energy Engineering Institute] to that of an institute of higher learning. As part of the same effort, STM has begun to offer courses at diploma level, beginning 1994 at the Institute Of telecommunications and Information Technology.

While developing skills an absorbing new technology, the education system must be strengthened. Based on this policy, education should be integrated with co-curriculum activities to ensure academic excellence and good character. The Islamic philosopher, Ibnu Miskawaih, viewed education as Tahzib al-Akhlaq, that is as a process of self-upliftment, while in the tradition of Kong Fuu Tze, education is learning to be human, embodying the concept of shen jen (complete man). Religious and moral education is specifically for this purpose. So, Islamic education and training including those by Bahagian Hal Ehwal Islam [Islamic Affairs Division], Universiti Islam Antarabangsa [International Islamic University] and Institut Kefaham Islam Malaysia [Malaysian Institute of Islamic Understanding] will be emphasised. Malaysia is capable of becoming a regional centre of educational excellence with the support of the private sector. As such, related legislations in education will be amended, aimed at streamlining the provisions of these legislations in line with the current education needs, and the needs of higher ad private education. In line with the intention to make Malaysia a regional educational centre and a focal point in the field of technology, I propose that expenditure on buildings and hostels used for education, including technical and vocational training, be given Industrial Building allowances of 10

per cent per annum. This allowance can be claimed over a period of 10 years.

Today, expenditure to train workers in companies that have yet to commence business are not eligible for income tax deductions except for small and medium scale manufacturing concerns. As an incentive to companies providing appropriate training for new workers, I propose that such expenditure included for such purpose of preparing skilled and trained workers before a company starts business be allowed as a deduction for tax purposes.

Foreign Workers

Malaysia has achieved full employment. Shortages in domestic labour have to be met by skilled and unskilled foreign labour. To overcome the labour constraint, the Government has taken a number of measures to accelerate the shift from labour-intensive to capital and technology-intensive processes. To reduce the dependence on foreign workers, the levy on unskilled foreign workers is increased by 100 percent. As an example, for the manufacturing and construction sectors the levy on unskilled foreign workers is increased from RM420 to RM480 per year and for semi-skilled workers, increased from RM600 to RM1,200 per year. However, this increase will not include domestic helpers and unskilled workers in the agriculture sector. For those who are subject to income tax, including professionals, the levies paid will be allowed as a rebate.

Science and Technology

A sum of RM471 million is allocated for the development of science and technology. In addition, the Intensification of Research Priority Areas (IRPA) programmes will be structured to meet the needs of the growing economy. A sum of RM200 million has been set aside for this programme in 1996. To encourage R&D that is client-oriented and to strengthen the linkages between institutions in the public sector and industry, a contract-based research systems has been introduced. The Standards and Industrial Research Institute of Malaysia [SIRIM] will be corporatised in 1996. Research institutions including local universities are now recognised as approved research institutions under the Income Tax Act. With this recognition, any company undertaking R&D activities in these institutions will be allowed among others double deduction for R&D expenses.

A National Action Plan for the development of Industrial technology has been formulated and further to this the Malaysian Technology Development Corporation (MTDC) has already been established to spearhead

efforts towards hastening the commercialisation of research findings. In consonance with this Plan, fiscal incentives including programmes to upgrade the technology of small and medium-scale industries are in place to encourage R&D efforts. The industrial sector should therefore use these incentives including programmes to upgrade technology and utilise facilities that have been provided like technology parks to increase R&D capabilities.

Malaysia is developing its own aerospace industry. In line with this, SME Industries Sdn Bhd [private limited] was established and by the end of the year will be producing four two-seater trainer aeroplanes with a project cost of RM58.8 million for the use of the Royal Malaysian Air Force. It will also begin exports of these aeroplanes. We are also experimenting in the use of composite technology for aircraft manufacture and other products.

Wafer Fabrication Industry

Wafer is one of the important components in the electronic industry especially the semi-conductor industry and wafer fabrication represents a strategic step in the development of a high technology sector. The industry will increase the skills in aspects like the maintenance of sophisticated equipment including robotics, improve the supply of chemicals and gas, promote linkages with support industries and encourage research in the design and fabrication of wafers. To encourage the development of the wafer industry, the Government is prepared to give a number of concessions to investors including:

- pioneer status or investments tax allowance for a period of 10 years or more;
- special grants for the training of Malaysian engineers and scientists;
- the provision of special requirements like uninterrupted supply of electricity, clean water, toxic waste storage facilities and the construction of electric substations;
- recruitment of foreign engineers and scientists are required and
- other fiscal incentives.

Continuing the Agenda for Social Development

For the purpose of undertaking programme of athletes and sportmen in preparation for the 1998 Commonwealth Games, a sum of RM300 million has been provided. This sum includes the contribution of both the Government and the private sector. In addition, the Government with the involvement of the private sector will provide state-of-the-art facilities at a cost of RM721 mil-

lion for the Commonwealth Games. Despite this large allocation, the administration of sports organisations is most disappointing. Urgent action needs to be taken to rectify this situation including introducing the Sports Act, to ensure that the quality of sports will be upgraded and thereby enabling our sportsmen to be competitive at the international level.

Women

The Conference on Women in Beijing attracted world attention. For us, the issues facing women are not questions of gender, but that of social justice. We support the rights of women within the context of religion and Asian culture and support their positive participation in society. The positive contribution of Malaysian women is critical in almost all sectors. To increase the participation of women as well as their skills in the field of technology and development, a programme for entrepreneurial and management will be undertaken. Realising that the responsibilities of women are increasingly challenging at home and in their place of work, the Government will provide sufficient allocation for the establishment of creches in Government departments. The sector has been given incentives and is urged to follow this example. I also propose that either husband or wife be given the option to claim tax relief for their children. This is to ensure fairness to women.

Youths

Undoubtedly, the driving force of a nation's development is its labour force, particularly the youth. As such, in addition to the continuing special programmes undertaken by Ministries and agencies, the Government has launched and promoted Rakan Muda [Young Friends] programmes to encourage youths to channel their energies to their field of interest, be it science technology, sports or culture.

The Government hopes that through these programmes, the youth will be exposed to positive influences which will free them from negative temptations like dadah, addiction to liquor, gambling and other vices. We also hope that the ultimate objective of these cultural enrichment programmes will be achieved when the young successfully maintain their interest in these areas.

Dadah

To contain the problem of drug abuse, a sum of RM33.1 million is allocated to continue the construction and management of seven rehabilitation centres including the expansion of two halfway houses in Rawang and Tampoi. These rehabilitation centres will be able to accommodate 8,200 more addicts while 24 existing

halfway houses will accommodate 16,000 drug addicts. Rehabilitation programmes in these centres will give emphasis to training programmes in economic activities for drug addicts, especially in the fields of carpentry and agriculture. This step is aimed at reducing the number of drug addicts in addition to encouraging them to make a contribution to society.

The Rural Community and the Poor

Many people living in the interior, villages and long-houses have yet to enjoy potable water and electricity as well as other basic facilities. To speed up the transformation a sum of RM6.11 billion of development allocation will be set aside for rural development programmes. Water and electricity supply and small projects will be expedited. We will build better roads for the rural areas and improve maintenance. A sum of RM408.3 million is allocated for this purpose. This will cover some 2,102 km of roads. Beginning in 1996, the Government will provide a special annual allocation of RM200 million for the maintenance of rural roads including roads in areas under Felda [Federal Land Development Authority], Felcra [Federal Land Consolidation and Rehabilitation Authority], Risda [Rubber Industry Smallholders Development Authority] and regional development authorities.

Next year an additional 9,000 rural household will receive potable water and the number of rakyat that will enjoy electricity supply will also increase. This will be through an allocation of RM114.7 million for rural water supply and RM129.8 million for rural electrification, especially in Sabah and Sarawak. Those in the estates have not been forgotten. About 70 small estates will benefit from this additional electricity supply. The Government will ensure that any increase in electricity tariff will not burden consumers.

A sum of RM593.6 million will be allocated for public health services particularly to improve services in the rural areas. Forty seven health offices and health centres, and 37 new rural clinics and midwife clinics will be constructed. Better health and sanitation programmes will benefit 1.7 million people in the rural areas. Programmes to control and eradicate malaria particularly in the Orang Asli [aborigines] areas and Sabah will continue to be undertaken.

The Development Programme For The Hardcore Poor (PPRT) will be allocated a sum of RM206 million. Among the programmes that will be implemented are the Eradication of Poverty Among The Orang Asli, Provision of Welfare and Old Folks Home, Rural Hostel and Food Supplement For Schools, Family and Village Economic Development and Assistance for Undernourished Children. In addition, to help the

farmers, Assistance for Livestock and Cultivation will continue to be provided.

To encourage the activities of welfare and social organisations including assisting the poor requiring dialysis and cancer treatment, financial assistance will be given to these organisations. This year, the Government has contributed RM20 million to the National Cancer Council (Makna) and will further allocate RM5 million per year for the next five years in the form of matching grant to the Council. The Government has also provided an allocation of RM3 million to assist the Mawar Dialysis Centre in Seremban. To support the efforts of welfare organisations, I am proposing the creation of a Fund of RM50 million.

Amanah Ikhtiar Malaysia (AIM) has achieved outstanding success in encouraging the hardcore poor to be independent and increase their incomes through small business activities. In recognition of the effectiveness of AIM's projects, the Government will channel a sum of RM75 million for its revolving fund. In addition to this, a programme will be launched to involve the corporate sector in efforts to eradicate poverty. Subject to certain conditions, the Government is prepared to give deductions in the computation of income tax paid by companies contributing towards approved welfare and social services projects in the fields of education, health, housing as well as infrastructure and public amenities.

Low and Medium-Cost Housing

In the Budget 1995, the Low-Cost Housing Fund was increased to RM2.4 billion. Under the Sixth Malaysia Plan, a total of 178,600 low-cost houses were built using the allocation provided under this Fund and the Government's annual allocation. The private sector, in addition, has constructed 83,560 units. However, this number is still unable to meet increased demand. Today, I am announcing an additional RM1 billion to this Fund. In addition, the construction of medium-cost houses will total 282,436 units at the end of this year. A further sum of RM453.8 million is allocated to finance public low-cost housing and also housing for civil servants. However, merely increasing allocation will not be sufficient. Therefore, all responsible, particularly the developers should expedite the construction of low and medium-cost houses to meet pressing demand.

The Less Fortunate

The Government will not abandon its responsibility to the less fortunate, the elderly, the handicapped, the orphans or victims of abuse. A sum of RM190 million has been allocated to finance programmes to assist these groups. I also propose to increase the tax relief for this group as follows:

- First: the tax relief for handicapped children is increased from RM1,600 to RM5,000 per child;
- Second: the tax relief for the purchase of support equipment for the handicapped which includes self, spouse, child or parent is increased from a maximum of RM3,000 to RM5,000; and
- Third: the tax relief for medical expenditure incurred for parents is increased from a maximum of RM1,000 to RM5,000.

This increase in allocation and reliefs is given to assist in the care of aged parents and the unfortunate in line with a caring society and respect for the elders.

The Environment

Environmental conservation will continue to be an important agenda in the nation's development. Excessive logging and other exploitative activities that have resulted in our hills and forests becoming denuded and the pollution of our waters by toxic waste have become an environmental problem. The nation was again shocked by the landslide that occurred on the road to Genting Highlands, the problem of flash floods and oil spills in our waters. We must learn from the lessons and experience of previous disasters and devise ways to avoid them. The same awareness is shown when confronting international issues. Yesterday, Malaysians from all political parties reached a consensus to condemn the French nuclear tests.

Priority is given to conservation programmes with an allocation of RM47.7 million to implement several environmental control programmes and activities. To increase the level of effectiveness of environmental enforcement and to ensure that every development project obtains Environmental Impact Assessment approval, the Government will table proposals to amend the Environmental Quality Act 1974. Through this amendment, there will be increased penalties for companies which violate environmental rules and regulations, including the authority to close down such factories. They will be required to carry out environmental auditing to ensure that an environmental protection mechanism is instituted by the factory management. The Government will also consider the possibility of privatising the enforcement of environmental protection. In this connection, I propose that in the computation of income tax, the capital allowance related to expenses incurred on environmental equipment be allowed as a deduction over a period of three years. A sum of RM183.2 million has been allocated to improve the drainage system in the towns, prevent erosion of the shoreline and for the beautification of rivers. A sum of RM100 million is provided

to local authorities to implement flood mitigation programmes.

Prospects and Challenges [subhead]

The world economy is expected to increase at four per cent in 1996, supported principally by the strong growth of the developing countries in particular the countries of East Asia. On the other hand, the growth of industrial countries is expected to be marginally lower due to the slower growth of the US and European economies. Prospects of further recovery in Japan are encouraging. International trade will also continue to be strong particularly for the developing and transitional economies. Inflation in industrial countries is likely to remain low at 2.7 per cent following their tight monetary and fiscal policies.

With a strong foundation and positive international economic environment Malaysia is expected to sustain growth next year. As such, we are projecting a growth rate of 8.5 per cent next year. The manufacturing sector is projected to grow 13.3 per cent, construction at 11.8 per cent and services at 8.1 per cent. The development of the private sector will continue to be strong with private investment contributing 16.2 per cent to the increase in GNP. We are confident that our policy will provide a stronger foundation to ensure the continuity of our success. This rate of growth will enable us to manage our current challenges, in particular:

- First: the merchandise account is expected to recover to register a surplus of RM1.4 billion;
- Second: the balance of payments position is expected to improve with the deficit in the current account declining to 7.5 per cent of GNP; and
- Third: inflation is expected to be maintained at a low level.

This year is the last year of the Sixth Malaysia Plan in which the economy registered an average growth rate of 8.7 per cent per annum, that is 1.2 percentage points higher than projected. With this achievement, Malaysia is now in a stronger position to undertake the Seventh Malaysia Plan.

Through the implementation of programmes and a new economic approach in the Sixth Malaysia Plan we have overcome major problems like unemployment, the burden of foreign debt and the Federal Government's fiscal deficit. The manufacturing sector has grown steadily and we have begun to venture into the field of high technology.

The services sector continues to be weak and is a major contributing factor to the deficit in the current

account. Developing the services sector will mean that we need to undertake a transformation, including import substitution and export services aggressively.

We cannot continue to be dependent on the manufacturing sector to maintain our economic interests in the world markets.

The implementation of WTO [World Trade Organization] decisions including those in the services sector is not only to open the domestic market to competition from abroad but for us to also export services more aggressively.

Our private sector has begun to explore new markets to increase exports and investments and the services sector, including financial institutions, should also widen their network to this region and to other continents. The expertise of our banking and financial industry for example, can be exported to neighbouring developing countries on the basis of cooperation or joint ventures. These efforts will also assist in the realisation of the Prime Minister's aspiration to build a network of cooperation among the South-South nations.

All the proposed incentives for the services sector in this Budget are aimed at boosting the standard of our services sector to compete at the international level. This is to fulfil the nation's aspiration to become a developed country. The Malaysian economy must progress to a level where the value of the services sector exceeds that of the manufacturing sector. If this process fails to materialise as planned and this challenge is not taken up seriously by the private sector, it would mean our economic prospects will be less promising.

Conclusion

More than two millennia ago, Kautilya, an Indian statesman, wrote a treatise on political economy and governance, titled Artha Shastra. On the duty of a king or government, he said: In the happiness of his subjects lies his happiness, in their welfare his welfare, whatever pleases himself he shall not consider as good, but whatever pleases his subjects, he shall consider as good. In a similar vein, the Chinese philosopher Meng Tse said: When a ruler rejoices in the joy of his people, they also rejoice in his joy; where he grieves at the sorrow of his people, they also grieve at his sorrow.

The concordance of the people's aspirations and those of the Government is the crowning achievement of a nation. By means of a series of development programmes, the Government has endeavoured to translate the people's hopes and aspirations into reality, that is to realise a nation such as that described in the Quran — "... a land fair and happy and a Lord Oft-Forgiving." (34:15)

a prosperous and blessed nation, just and caring, and living by humanitarian ideals.

This is our philosophy of national development, one which is founded not merely on material concerns. Nevertheless, this is not to say that material concerns are of no consequence at all. Because if the country is bankrupt, the people will live in misery and in debt and economic management will be in disarray and our aspirations will be a mere fantasy.

The fact is that Malaysia's overall development encapsulates noble ideas such as the enhancement of human dignity, the establishment of liberty, the eradication of society's ills, the revitalisation of our heritage and cultural empowerment which reflects intellectual and artistic achievements.

This is what we mean by the creation of a civil society. These are qualities which will make Malaysia the voice of conscience for the marginalised and the oppressed of the world.

We are now more resilient as a result of our profound political experiences. We are thus united in our resolve to fight all forms of communal politics and parochialism.

In line with that, the Government is hopeful that the foundations of social integration will be strengthened further to create a truly Malaysian society as envisioned by the Wawasan [vision]. In this regard, the Government will launch the Wawasan Fund to provide the younger generation with the opportunity to invest in a common fund.

Notwithstanding all this there will be the occasional mischievous makers out to stir trouble and cause a rift among the nation's leaders for personal gain. We are fully aware who they are and what they represent.

As the Minang saying goes: The deep we have fathomed, the shallow we have crossed.

At the same time, let us not parrot the foreign media.

The balance of payments position has been portrayed as if the Malaysian economy will follow the path of Mexico and that there exists political tension. This is not the first time the foreign media has predicted that Malaysia will be overwhelmed by a crisis. On the contrary, our economy continues to be strong and the political situation stable and mature. It is not the question of how we manage our economy and our politics but the lack of integrity of political eunuchs who use foreign media as their source of information. As we have been confronted by even bigger challenges in the past, we should be able to deal with the present problems.

The Government appreciates the support of the people, in particular, the workers who practise high standards of work ethics in an atmosphere of industrial peace, thus enabling the country to achieve an impressive economic performance. We appreciate the sacrifices of the Security Forces in maintaining the nation's security and in upholding the good name of the country in the international community.

In appreciation of the civil service as a whole including the security forces and members of the teaching profession as well as, contract part-time and temporary workers I propose a bonus payment of one month's salary or a minimum of RM600, or about 1 1/2 months' salary for the lowest salary bracket. The Government has set aside about RM1 billion for this purpose. The Budget also offers RM2 billion for salary revision. However, the final decision regarding the salary revision will be made by the Prime Minister after his meeting with Ceupacs [Congress of Employee Unions in Public Administration and Civil Services] representatives next week. After taking into consideration the salary adjustment and the bonus payment, the surplus of the Federal Government is only RM500 million.

We would like to see an improvement in the quality of service and the effectiveness of management, especially the financial management of Government institutions. On no occasion can we afford to be lax in this area because this may lead to the squandering of the nation's economic resources. The Government's administrative machinery is the fortress that protects the rights and interest of the people. The nation's treasures must constantly be protected against marauding opportunists.

The protection of our national interests entails committed efforts to establish Malaysia's position in the international community. Once again, this year Datuk Sri Dr Mahathir Mohamed succeeded in drawing world attention especially among developing nations, at the recent United Nations General Assembly, when he made a fervent call for the restructuring of the UN so that it would truly serve the interests of all nations and not merely the rich.

And at the Summit of the Non-Aligned Movement (NAM) recently in Colombia, the Prime Minister defended the role of NAM and proposed the Movement organisation be transformed into a more effective forum, with a clear economic agenda.

The 1996 Budget will be closely followed by the Seventh Malaysia Plan, to be launched by the Prime Minister early next year. The people of Malaysia are ready to ensure success of the Plan, which will propel the nation into the new millennium.

Cambodia

Anti-Vietnam Groups Said Plotting in Phnom Penh
*BK0711071795 Phnom Penh PHNOM PENH POST
in English 3-16 Nov 95 pp 1, 3*

[Report by Nate Thayer and Michael Hayes]

[FBIS Transcribed Text] Anti-Communist, ethnic Vietnamese groups advocating the overthrow of the Vietnamese Government have been operating in Phnom Penh for over a year, according to diplomats and government officials.

The groups — under names such as "Free Vietnam" and led by people who include Vietnamese Americans who held senior positions in the former South Vietnam government — are said to be armed.

Cambodian officials are aware of the groups, but have so far refrained from clamping down on them.

A senior Ministry of Interior official, who requested anonymity, said: "We learned about this more than a year ago but so far there is no real organization... We have not arrested anyone [but] the government does not support any 'Free Vietnam' movement... We continue to trace their activities and [try to] destroy them." But the official said the groups had no weapons and were doing nothing illegal.

Other sources, including diplomats, disagree, saying that the groups are well-armed. One government source said: "It's not a surprise they have weapons, anyone can buy weapons in Cambodia."

As well, senior Cambodian officials say that elements of the Cambodian Government are directly implicated in giving assistance and permission to the groups to operate in Cambodia. Said one senior Cambodian official: "They came to meet with us and said that they wanted to overthrow the Vietnamese Government and once that was achieved promised to leave Cambodian soil."

While the number of organizations is unclear, the U.S. Embassy confirmed it knew of one called Vietnam Tudo (Free Vietnam), operating in Phnom Penh since early 1994. Embassy spokesman Frank Huffman told the POST on Nov 2: "We're aware of the group [Free Vietnam]. We have no connection with it nor do we wish to."

Vietnamese sources say that another organization operating in Phnom Penh is called Chinh Phu Vietnam Phuc Quoc (Restore the Vietnamese Government).

The groups have alarmed Vietnamese authorities and the matter has been raised at the highest levels with the U.S.

Government. Sources in Hanoi say possible American involvement was raised during U.S. Secretary of State Warren Christopher's Aug 5 visit to Hanoi when the United States pledged full cooperation to thwart the group's activities in the United States.

Huffman confirmed the U.S. position: "We, of course, do not support their objectives because we have good relations with the new Cambodian Government and of course have recently established full diplomatic relations with Hanoi."

The Cambodian Government has denied any involvement or support for these groups. Information Minister Ieng Muli said on Nov 2: "Because of our neutrality, we cannot let any foreign groups conduct political or military operations against a neighboring government. [If they do] they must be punished... I think our police must know about this, but I don't know [about] the way they handle this affair."

Sources say the groups are led by former generals of the pre-1975 Army of the Republic of Vietnam (South Vietnam), many of whom were given refuge and citizenship in the United States.

In Cambodia, the groups are said to have as many as 2,000 members, have issued "membership" cards, established legitimate front organizations including a construction company and a training center, and are circulating propaganda in Vietnamese describing the program of a new government and its organizational chart.

A Vietnamese-language publication called VIETNAM TUDO, on sale in Phnom Penh, is said to be linked to the organization of the same name. Sources also say that they learned of an "Operation Bravo" in mid-1994, headed by ethnic Vietnamese Americans aimed at overthrowing the Vietnam Government.

Diplomats also say that former South Vietnamese Prime Minister Nguyen Cao Ky is involved with one of these groups and has visited Cambodia recently to organize resistance operations. Ky, a former lieutenant general, fled Saigon in April 1975 and opened a liquor store in Southern California, since acquiring American citizenship.

One diplomat said he'd heard six months ago of "nationalist" Vietnamese elements from the United States who were giving money to remnants of the South Vietnamese army, with the promise that former ARVN [Army of the Republic of Vietnam] soldiers and their families would be repatriated to the West.

Similar anti-Vietnamese resistance groups have been known about for years. In the 1980's ethnic Vietnamese

opposed to the current Hanoi government operated from the Thai border in secret military camps with covert Thai and Chinese support.

That related groups are now operating in Cambodia is no surprise. Said one government official: "All they need to set up operations here is \$20 for the visa at Pochentong."

The issue is likely to be a source of on-going contention between the Governments of Cambodia and Vietnam and it is expected to be high on the agenda of discussions when King Norodom Sihanouk visits Hanoi in mid-December.

Former Deputy Police Chief Defects to New Party

*BK0611023895 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 4 Nov 95 pp 1, 8*

[Report by Kroesna-Vichet]

[FBIS Translated Excerpt] Nguon Soeu, former deputy chief of the National Police and deputy secretary-general of FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia], told reporters at his residence on the morning of 2 November that he has prepared a message relinquishing his membership and the deputy secretary-general post in FUNCINPEC. He said that instead he has to join and cooperate with the Khmer Nation Party [KNP] headed by Sam Rangsi because he thinks that Sam Rangsi is the first Cambodian who dares to rise up and oppose corruption, and oppose those who do not abide by the law and who do not respect multiparty liberal democracy ... [ellipsis as printed] [passage omitted]

In a statement to reporters concerning his position and role in the KNP, Nguon Soeu said that he is a member of the party's standing committee and a figure among the party's top leadership. He did not disclose the names of other personalities who plan to join this party or who have already done so. However, he proudly stated that a number of FUNCINPEC members, as well as those from other parties, and those who have not yet joined any party, whose thoughts are similar to his, will come to this party.

A few months ago Sam Rangsi stated that members from the Cambodian People's Party were joining him, referring to Sar Kheng. However, Sar Kheng immediately rejected this.

Concerning the 1998 elections, Nguon Soeu said that he is not worried about Prince Krompreah Norodom Ranariddh and Samdech Hun Sen because both have already shown their courage in a democratic competition. However, if there is any pressure, it will be because of these two. Soeu, however, categorically said that he does not believe that the two will act that way.

It is suspected that the KNP will have Khmer Rouge participation because the party's attitude seems to lean toward the Khmer Rouge.

Regarding this issue Nguon Soeu said that the KNP is for all Cambodians; the Khmer Rouge is also Cambodian. We will solve this issue appropriately. However, the Khmer Rouge whose hands are stained with blood cannot be accepted.

Ruling Party Members Defect to Opposition Group

BK0611134495 Hong Kong AFP in English
1323 GMT 6 Nov 95

[FBIS Transcribed Text] PHNOM PENH, Nov 6 (AFP) — Three senior members of Cambodia's coalition government parties have joined a new opposition party to be formally inaugurated on Thursday by former Finance Minister Sam Rangsi.

The three, including a former Foreign Minister and a former vice-chairman of the National Assembly, will be given senior positions in Sam Rangsi's Cheat Khmer (Khmer Nation) party, the former Foreign Minister, Kong Korm, told AFP.

The third defection came from Khieu Rada, the under-Secretary of State for Commerce and a former member of the royalist FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] party from which Sam Rangsi was expelled earlier this year.

Kong Korm and former vice-chairman of parliament, Nu Beng, were both members of the formerly communist Cambodian People's Party (CPP) and held government posts in the State of Cambodia government in the mid-to late-1980s.

"I have already made up my mind that I want to support the real nationalists," said Kong Korm, also a member of the CPP's political bureau, who will become vice-president of Khmer Nation.

Kong Korm said he and the others were joining the nationalist Khmer Nation party because they feared the CPP and FUNCINPEC were becoming, in effect, a single party harmful to the ideals of democracy.

"It will be dangerous for the country if the two big ruling parties compromise and join together without opposition from an opposition party," Kong Korm said. "We can't say that one-party system is democracy."

FUNCINPEC and the CPP dominate the nation's three-party coalition government, controlling all but 11 seats in the 120-member National Assembly.

The third member of the coalition is the internally divided Buddhist Liberal Democratic Party.

Sam Rangsi, who started gathering support for his opposition movement after his expulsion from the National Assembly in June, was out of the country and unavailable for comment Monday.

The three newcomers join Sam Rangsi and former National Police deputy chief and vice-secretary general of FUNCINPEC Nguon Soeu as Khmer Nation's most prominent members.

Indonesia

Dailies Lament Death of Israel's Yitzhaq Rabin

BK0711093495 [FBIS Editorial Report] Four Indonesian-language dailies carry editorials on the assassination of Israeli Prime Minister Yitzhaq Rabin by an Israeli student on 4 November. Jakarta KOMPAS on 6 November carries a 600-word editorial on page 4 entitled: "May the Middle East Peace Process Continue After Rabin's Death."

KOMPAS recalls that the fear in some circles that Israeli Prime Minister Yitzhaq Rabin might be assassinated for his peace overtures finally came true.

The daily praises the assassinated leader's efforts to achieve peace in the Middle East and notes that he made peace with the Palestinians in September 1993, restored relations with Jordan, and was making a peace bid toward Syria. It says that Rabin was hated by Israeli hardliners opposed to the return of the West Bank and Gaza Strip to the Palestinians, and he was consequently shot after addressing a peace rally attended by about 100,000.

The paper says: "There is a sigh of relief that Peres, who is now acting prime minister, is as determined as Rabin, who had long been his major political rival, as well as a partner in making peace with the Palestinians to continue the peace process.

"Despite this spirit, will the U.S.-initiated peace process move forward as it did when Rabin was alive?

"President Bill Clinton himself, who is sad over the loss of his working partner in the Middle East peace process, hopes that peace will be Rabin's lasting legacy.

"King Hussein of Jordan believes that Rabin's assassination will strengthen the hands of those opposed to peace."

KOMPAS considers the 4 November tragedy proof that the Middle East peace process is facing huge obstacles posed by some Palestinians, Arabs, Iran, and some Jews themselves. Thus, the commitment of the next Israeli leader to peace will be severely tested.

The paper says: "Political extremism is everywhere. Nevertheless, great leaders who have courage and firmly adhere to their principles will, however, never be afraid of such threats. We recognize Yitzhaq Rabin as a world leader who had such a character."

Jakarta REPUBLIKA on 6 November carries a 450-word editorial on page 6 entitled "Yitzhaq Rabin's Peaceful Struggle."

REPUBLIKA recalls great efforts by the Jews and Palestinians to achieve peace after decades of hostilities.

It says: "The world community's moral support for the efforts of leaders of the two peoples, who had long-standing enmities, to achieve peace was reflected by the awarding of the 1993 Nobel Peace Prize to three key leaders, who paved the way for lasting peace in the Middle East. The three leaders were Palestine President Yasir 'Arafat, Israeli Prime Minister Yitzhaq Rabin, and Israeli Foreign Minister Shim'on Peres.

"The leaders of the two peoples used their personal relations to lay a groundwork for mutual trust between leaders responsible for the future and destiny of their respective people. Thanks to the personal relations, the peace process has been smoother than expected."

The daily, however, notes opposition to the peace process among the two peoples. Both Hamas, a Palestinian resistance movement, and the Israeli extreme right are trying to sabotage the peace process.

"We hope and believe that Yitzhaq Rabin's sacrifices as a peace martyr will not be in vain."

Jakarta SUARA PEMBARUAN on 6 November carries a 700-word editorial on page 2 entitled "The Risks of a Peace Fighter."

SUARA PEMBARUAN recalls Yitzhaq Rabin's great efforts to achieve peace in the Middle East and notes that the Middle East peace process is not an easy task.

It says: "We note that Yitzhaq Rabin played a great role in all peace overtures initiated by Israel with its Arab neighbors, including the Israeli-Egyptian peace accords signed by President Anwar Sadat and Prime Minister Menachem Begin in 1979 as the first Arab-Israeli peace treaty. Rabin pushed for Israel's active participation in the first Middle East conference in Madrid, Spain in October 1991."

"We can, thus, say that Israel has lost a hero and a peace fighter. We hope that concrete measures taken by Rabin will be continued by his successor. Israel's peace policy set by Rabin will apparently be continued by Shim'on Peres who is now acting prime minister.

"We are sorrowful over the death of the peace fighter. We deeply appreciate Rabin's meetings with the head of state of the Republic of Indonesia, which were certainly motivated by peace. We support the immediate realization of comprehensive peace between Israel and all its Arab neighbors. We are convinced that all Israeli people will continue Yitzhaq Rabin's struggle for peace. We are also convinced that Israel and Arab countries will eventually achieve peace because there are no eternal enemies."

Jakarta SUARA KARYA on 7 November carries a 650-word editorial on page 5 entitled "The Impact of Yitzhaq Rabin's Death."

SUARA KARYA says that the world is shocked by the assassination of Israeli Prime Minister Yitzhaq Rabin. The daily notes: "Although not all people support his views, all people have by all means recognized his efforts to achieve peace in the Middle East."

SUARA KARYA notes that Arabs and Palestinians know the two faces of Yitzhaq Rabin. Yitzhaq Rabin was a cold-blooded military commander when he led the Israeli Army in the conquest of Arab lands during the seven-day war in 1967. He, however, softened his stance and said that he wanted to see Israel and Arab countries coexist peacefully.

The paper says: "What will be the impact of Yitzhaq Rabin's death on the peace process? All parties hope that the peace process will not be impeded, but there is anxiety. The anxiety is logical because Shim'on Peres is known to be adopting a more hardline policy. He said in Jordan last week that Israel had no intention to quit Jerusalem. Shim'on Peres' remarks will certainly affect the next round of the peace process.

"In addition, the assassination of Yitzhaq Rabin shows that opponents of peace — some Jews, Palestinians, and Arab countries — remain strong and dare to act desperately. A massacre at al-Aqsa Mosque, a suicide bomb attack in Tel Aviv, and other acts are proof of their desperation. Such desperate and crazy acts will continue, and a person committing a desperate act could disrupt the peace process, which has been established by thousands of people through hard work. Nevertheless, we hope that Yitzhaq Rabin's death could inspire opponents of peace to realize that continued opposition will cause great sacrifices."

East Timorese Seek Asylum in Netherlands Embassy

BK0711124095 Hong Kong AFP in English
1218 GMT 7 Nov 95

[FBIS Transcribed Text] JAKARTA, Nov 7 (AFP) — Eight East Timorese entered the Dutch embassy in Jakarta shortly after noon Tuesday and demanded political asylum, in the third such act in a year, a diplomat said.

"There are eight people, they will not go out until the Dutch government makes its decision," the embassy's political counsellor, Ed Hoechs, said.

The eight entered the embassy as normal visitors, and once inside demanded asylum, Hoechs said, adding: "The government is studying their requests."

The identity of the eight was not immediately known.

Indonesian Foreign Ministry spokesman Ghaffar Fadyl told AFP: "Our stance is just as our earlier ones, that is, that if you want to seek asylum or leave Indonesia, feel free."

However, he questioned the group's motives: "Why are they seeking asylum? They are not under persecution."

The incident is the fourth asylum bid by East Timorese at foreign embassies in Jakarta, and the third in a year.

It came less than six weeks after five East Timorese asylum-seekers were sheltered in the British embassy for four days before being allowed to leave for Portugal.

Last November, 29 East Timorese left for Lisbon after they scrambled into the US embassy compound to demand asylum while a summit of the Asia-Pacific Economic Cooperation (APEC) forum was underway here.

Seven youths from East Timor went to the Swedish and Finnish missions here to demand political asylum in July 1993. They were denied asylum but were allowed to leave for Portugal in December that year.

Indonesia invaded East Timor in 1975 and annexed it the following year, but the United Nations does not recognise the move and still recognises Lisbon as the enclave's administering authority.

The territory has often been the scene of unrest, riots and even of killings of pro-independence demonstrators by Indonesian troops, sparking angry criticism from governments and rights groups abroad.

The latest asylum bid comes as Indonesia is hosting a two-week international conference on biodiversity.

Laos**Meeting on Border Security Held With Thai Side**

BK0711105695 Vientiane KPL in English
0911 GMT 7 Nov 95

[FBIS Transcribed Text] Vientiane, November 7 (KPL) — The Lao-Thai Border Security Cooperation Committees of Laos' Sayaboury Province and Thailand's Nan Province held their third meeting on November 3 in the Thai northern province.

During the meeting, the two sides reviewed and informed each other of the outcome of the implementation of the first and second memoranda reached between the two committees. The two sides expressed satisfaction over the peaceful and orderly situation along the border between the two provinces, particularly the stepping up of the relationship of the two provinces.

Co-chairing the meeting were Mr. Bounheuang Duangphacham, governor of Sayaboury and chairman of the Lao-Thai Border Security Cooperation Committee, and Mr. Sucharit Nanthamontri, governor of Nan and chairman of the Thai-Lao Border Security Cooperation Committee.

Korean Trade Union Delegation Ends Visit

BK0711090895 Vientiane KPL in English
0905 GMT 6 Nov 95

[FBIS Transcribed Text] Vientiane, November 4 [date as received] (KPL) — Mr. Chu Song-il, president of the General Federation of Trade Union of Korea, and his delegation yesterday afternoon left here for home, ending its official visit to Laos between October 27 to November 3 at the invitation of the Lao Federation of Trade Unions (LFTU).

During its visit in Laos, Mr. Chu Song-il, who is also a member of the Workers' Party of Korea and member of the People's Supreme Assembly of the Democratic People's Republic of Korea, and his delegation called on Saman Vi-gnaket, Politburo member of the Lao People's Revolutionary Party Central Committee (LPRP CC) and president of the National Assembly, Mr. Oudom Khatthi-gna, LPRP CC Politburo member and supervisor of mass organisations affairs at central level, and Mr. Ounneua Phommachan, LPRP CC member, secretary of the Party Committee and governor of Champassak.

The high-level delegation of the Korean trade union (?held a meeting) with a host delegation led by Mr. Khampam Philavong, LPRP CC member, member of the National Assembly and LFTU president.

The visiting delegation also gave lectures in Vientiane and in Champassak province to local cadres and trade unionists.

The Korean delegation visited ancient sites and places of interest in Vientiane prefecture and in the southern province of Champassak.

Khamphoui Keoboualapha Receives Russian Delegates

BK0711100095 *Vientiane KPL in English*
0905 GMT 7 Nov 95

[FBIS Transcribed Text] Vientiane, November 7 (KPL) — Khamphoui Keoboualapha, vice-prime minister and president of the Committee for Planning and Cooperation, on November 05 received here Mr. B.E. Bacin, chairman of the Russian-Lao Commission for Economic, Commercial, Scientific and Technical Cooperation and minister of construction of the Russian Federation.

On the occasion, Mr. Khamphoui Keoboualapha hailed the visit to Laos by the delegation and recalled the fine traditional ties and cooperation between Laos and Russia. The visit, he added, will contribute to making the ties of friendship and cooperation between the two countries more fruitful.

Mr. B.E. Bacin informed Mr. Khamphoui Keoboualapha of the results of the second meeting of the Russian-Lao Intergovernmental Commission for Economic, Commercial, Scientific and Technical Cooperation. He also expressed thanks to the Lao vice-premier for the warm welcome to his delegation.

The Russian delegation arrived here on November 5 on a five-day working visit to Laos.

Meeting on Cooperation Held With Russian Group

BK0711103195 *Vientiane KPL in English*
0908 GMT 7 Nov 95

[FBIS Transcribed Text] Vientiane, November 7 (KPL) — The Lao-Russian Intergovernmental Commission for Economic, Commercial, Technical and Scientific Cooperation of Laos and Russia was held yesterday at the Vang Sadet government guest house.

In the meeting, the two sides reviewed the economic, commercial, scientific and technical cooperation between the two countries and discussed the direction of the future cooperation, aiming to tighten up and expand the traditional ties and cooperation.

Leading the Lao delegation was Mr. Sompadit Volasan, minister of commerce and chairman of the Cooperation Commission on the Lao side, and the Russian delegation

was headed by Mr. E.B. Bacin, minister of construction and chairman of the Cooperation Commission on the Russian side.

The Russian delegation arrived here on November 5 on a five-day working visit to Laos.

Philippines

Investment Accord Signed With South Korea

BK0711133395 *Manila BUSINESS WORLD*
in English 1 Nov 95 p 2

[Report by M. A. Tort]

[FBIS Transcribed Text] The government forged an agreement recently with Seoul-based Small and Medium Industry Promotion Corp. (SMIPC) for the joint marketing of the Philippines as an investment destination for small and medium industries in South Korea.

The pact for mutual cooperation in investments promotion was signed by SMIPC Chairman and President Jae-Uk Chae and Trade and Industry Undersecretary Melito Salazar, Jr., vice chairman and managing head of the Board of Investments (BoI).

Mr. Salazar said the agreement is seen to boost the country's initiatives to attract foreign investments into the country, particularly small and medium-sized Korean industries eyeing manufacturing bases within the Southeast Asian region.

Under the agreement, SMIPC and BoI will exchange information on their respective experiences with regard to the promotion of small and medium-sized industries.

The exchange will also cover information relevant to the enhancement of investment cooperation in the areas of technology transfer and joint ventures.

Both agencies will likewise provide follow-up services ranging from the identification of suitable partners to signing of cooperation contracts between industries in both countries.

SMIPC and BoI will also co-organize symposiums and seminars in both countries to promote opportunities for investment, technology transfer, joint venture or subcontracting arrangements.

Only recently, the BoI forged an agreement with the Japan National Association of Subcontracting Enterprises Promotion (JNASEP) for the joint marketing of the Philippines as an alternative manufacturing base for Japanese SMEs (small and medium enterprises).

Under the agreement, the BoI will provide JNASEP listing of Filipino SMEs capable of forging joint-venture partnerships with any of the Japanese association's 50,000 member firms from some 47 prefectures (provinces) in Japan.

This is for the benefit of Japanese firms eyeing either joint ventures or subcontracting arrangements in the Philippines.

JNASEP is also organizing Philippine investment missions to Osaka Nagoya, Saitama, Chiba, Gifu, and Nagano.

Libyan Terrorist Reportedly Slipped Into Manila

*BK0711133195 Manila MANILA STANDARD
in English 1 Nov 95 p 7*

[Report by Arnold Atadero]

[FBIS Transcribed Text] Immigration officials at the Ninoy Aquino International Airport (NAIA) yesterday raised "serious" concerns over the arrival in Manila recently of a group of Libyan Government officials, which reportedly included an alleged confirmed international terrorist on a still undetermined mission.

In the delegation, which came in from Libya early last month, were a diplomat and one Dau Musban, whom the Immigration officials described as a "confirmed member" of an international terrorist group.

Authenticated by Danilo S. Perez, chief of the Bureau of Immigration's [BI] Travel Control Service (TCS) at the NAIA, the official report claimed that Musban belonged to a global terrorist group "engaged in massive terroristic activities."

Perez, in his report submitted to Immigration Commissioner Leandro Verceles said: "Possibly, subjects (delegation) are to coordinate and train local terrorists and extend financial assistance for such purpose."

Although the TCS chief did not tell how he was able to confirm Musban's alleged links with an international terrorist group, BI insiders surmised Perez must have established the suspect's identity from a list of suspected international terrorists regularly being supplied to the BI, the National Bureau of Investigation [NBI], and the intelligence community by the International Police and the U.S. Embassy.

In his after-mission report following his 14-day visit to the United States as a member of the party of President Ramos last month, Verceles said that the Immigration Bureau has been coordinating its efforts with other agencies like the NBI and the national police in ferreting out suspected terrorists.

Verceles said that they also have established linkages with important embassies, such as those of the United States, the United Kingdom, Canada, Japan, and Australia, "with a view to taking cooperative and concerted action against global terrorism."

The commissioner noted that as stressed in the recently-concluded 50th year commemoration of the United Nations, international terrorism can only be effectively curbed if nations work together in a common convergent effort.

Thailand

Daily Criticizes U.S. Foreign Policy

*BK0511122995 Bangkok THAILAND TIMES
in English 5 Nov 95 p A4*

[Editorial: "US Foreign Policy: Muddled and Confusing"]

[FBIS Transcribed Text] Attempts to understand the underlying thrust of US foreign policy have always been something of a hit and miss affair for analysts. Muddled, contradictory and confusing are terms often employed to describe Washington's attempts to deal with its foreign neighbors. Condescending, imperialistic and aggressive are expressions that also crop up from time to time.

When the Clinton administration took over residency of the White House, they did so with promises to get tough with tyrannical regimes. This attitude is popular with the masses who cast the ballots, but is unwelcome among the business community who contribute heavily to election campaign expenses. Guests at thousand dollar a plate fund-raisers don't want to hear that their business interests are going to be put at risk in order to improve the human rights of some illiterate peasant on the other side of the globe.

They are a pragmatic bunch, however, and they accept that what the monkey says, isn't necessarily what the monkey will do. While they applaud the speaker's noble words on freedom and human rights, they do so with one eye clamped shut in a big wink.

For example, a recent attempt by Kentucky Senator Mitch McConnell to impose sanctions on Burma's military regime was quashed mainly because of the strenuous efforts of a major American oil company with interests in the region. This rejection came despite the fact that Burma is on a State Department list of countries notable for their appalling human rights record. McConnell's fellow Senator's were concerned that the human rights linked sanctions would not only have hurt US investment interests in Burma itself, but

would dangerously annoy other governments in the region.

The countries of the Association of South East Asian Nations (ASEAN) are currently well-advanced in their courtship of the military Junta in Rangoon. The junta will be represented at next month's ASEAN summit here in Bangkok as an observer. Full membership is now being discussed in terms of when, rather than if. Washington doubtless understands that to strike at one, would be perceived as a de-facto strike at the others too.

The seven-member ASEAN is less hypocritical in its approach to human rights than Washington. Every time South East Asian leaders come together with their US counterparts, trade-linked human rights issues are a guaranteed subject for discussion. Singapore and Malaysia usually lead the assault on American liberal attitudes, and accuse Washington of trying to impose their values on a quite alien culture. The rhetoric exchanged can sometimes get quite abusive. But it's all a smokescreen, a public relations exercise to keep the public happy while maintaining business as usual.

These people are not fools, two-faced and self serving maybe, but not fools. The United States makes up for its lack of resolve on tackling human rights issues, by becoming hyper-aggressive with alleged friendly trading partners that Washington perceive as taking advantage of unfair bilateral agreements. Namely Japan. This is one area where US foreign policy deserves to be described as muddled and confusing.

Persistent domestic publicity campaigns against Tokyo's protectionist policies have generated a substantial anti-Japanese sentiment among the rank and file American public. While not the only reason, this Japan-bashing policy has added to a growing re-evaluation of US-Japan links among the Japanese public.

The special relationship enjoyed between Washington and Tokyo has been severely strained by trade disputes, and the recent rape of a 12-year old girl by US servicemen in Okinawa has raised temperatures dramatically. Pertinent questions are now being asked about why a country with the second biggest defense budget in the world, should tolerate the presence of more than 45,000 foreign troops on its soil.

US foreign policy against the so-called tyrants has been largely ineffective or non-existent. On the other hand, Washington's attitude towards its friends has damaged ties and put long term relationships at risk. Yes, very muddled and not a little confusing.

Finance Minister on Commitment To APEC Plan

*BK0711042995 Bangkok THE NATION in English
7 Nov 95 p B1*

[Report by Suphaphon Chaengcharoen]

[FBIS Transcribed Text] Finance Minister Surakiat Sathianthai has unveiled the nine measures Thailand will offer the Asia Pacific Economic Cooperation [APEC] as its "down-payment" toward trade and investment liberalization within APEC.

According to Surakiat, the country's down-payment offer is in line with commitments made to the World Trade Organization (WTO) and multilateral talks under the so-called General Agreement on Trade in Services (Gats).

However, Thailand would accelerate the liberalization process for APEC members beyond its commitments to the WTO and Gats.

Surakiat informed Japanese ambassador T Onda of the measures at a meeting yesterday to discuss liberalization commitments Thailand would make at the APEC meeting in Osaka from Nov 16-19.

First, Surakiat said Thailand was prepared to restructure its tariff system, particularly for products which Thailand can produce competitively.

He said Deputy Prime Minister Amnuai Wirawan had recently established a committee to decide which products manufactured in Thailand could compete effectively on an international basis with foreign-made goods.

Surakiat, however, stressed that Thailand would not implement the entire package of tariff reforms it announced earlier this year as the down-payment because once Thailand offers across-the-board tariff cuts to the rest of APEC, it would have to offer similar concessions to non-member countries.

Thailand is required to reduce manufacturing tariffs by 33 per cent from the current level within 10 years to comply with its commitment to the WTO, and to date, it has already cut manufacturing tariffs by 25 per cent.

Second, Thailand would offer some measures included in its financial master plan. However, Thailand would not make a binding commitment to all of the details included in the financial liberalization master plan.

Third, Thailand would keep APEC members updated on the progress of intellectual property protection reform in Thailand.

Fourth, Thailand would allow foreign companies to participate in its privatization programme at a faster

pace than its committed to the WTO. [sentence as published] The areas which Thailand might include are energy, telecommunications and basic infrastructure construction.

Fifth, Thailand would present a study on the planned amendment of the Alien Business Law, which has so far restricted the scope and holdings of foreign companies in Thailand. The Thai government is in the process of amending the details of the law to relax restrictions against foreign firms.

Sixth, Thailand would propose liberalization in some industrial sectors in which local businesses were ready to compete with foreign companies. The industries most likely to be opened up are the petrochemical and steel rod industries.

Seventh, the government might allow wholly-owned foreign companies to enjoy concessions provided by the Board of Investment.

Eight, the Thai government would liberalize the agricultural sector. The liberalization measures might include tariff cuts.

Ninth, the Customs Department would speed up the process of standardizing customs procedures and regulations so that they meet APEC standards.

Half of MP's Said Linked to Money Laundering

*BK0711065095 Bangkok THE NATION in English
7 Nov 95 p A5*

[Interview with Dr. Sangsit Phiriayangsang, director of Chulalongkorn University's Political Economics Center, by Correspondent Kritsana Chaiyarat; place and date not given]

[FBIS Transcribed Text] [Correspondent] What should be done to bring the real masterminds behind the laundering of drug-money to justice?

[Dr. Sangsit] We aren't able to do that now under the existing laws. If we arrested Mr. A and Mr. B for trafficking drugs and combat weapons, for example, we would not be able to arrest the real masterminds behind the crime because the current laws require us to provide evidence to prosecute suspects.

But with the anti-money-laundering laws, we will be able to check a suspect's financial status without having to produce evidence first. The suspect would be required to prove that he or she earned the money legally or else the frozen assets would be seized.

[Correspondent] The Political Economic Centre conducted an opinion poll on money-laundering bills. What were the results?

[Dr. Sangsit] We conducted research separate from the opinion survey. The research was based on documents and interviews to enable us to know how much money is generated by illegal activities: prostitution, smuggling of illegal immigrants and diesel oil, and trafficking of drugs and combat weapons.

In September, we held a meeting of representatives from the Narcotics Control Board, the Finance Ministry, the Bank of Thailand and the Securities Exchange Commission so that they could read our research findings. We made minimal estimates of illegal money and the representatives agreed with our findings, saying our estimates were reasonable. Our estimates were based on the minimum average. For example, we estimated there were 100,000 prostitutes nationwide and each received one customer per day.

For the opinion survey, we sent out 1,500 questionnaires and received feedback from 453 respondents. Most respondents agreed with the plan to enact anti-money-laundering legislation. They said such laws should also be enforced against other illegal businesses besides drug trafficking.

[Correspondent] Do you think most laundered money comes from prostitution?

[Dr. Sangsit] Yes, I do. Most of the illegal money is generated from prostitution. Prostitution has a greater affect on society than drug trafficking, but we tend to underestimate its scope and the public has not been fully informed about its effects. Moreover, drug traffickers carry out other illegal businesses, like prostitution and smuggling of weapons and illegal immigrants. These people even operate underground lotteries.

[Correspondent] There is the suspicion that major economic criminals are also involved in politics. Do you think so?

[Dr. Sangsit] These people need cover so they can carry on with their illegal businesses. As a result, they often seek to become members of municipal councils, provincial councillors or even MPs. Otherwise, they seek to bankroll MPs or political parties so that they are protected by political powers. People with monetary resources might tend to gain political might as well.

[Correspondent] How many politicians do you think are involved with dirty money and money-laundering?

[Dr. Sangsit] I believe half of the MPs are involved with dirty money. The number would be over 1,000 if provincial councillors were also counted. A thesis by a Chulalongkorn University political science graduate student said that one province's marijuana trafficking involved provincial councillors, MPs and police. The

student asked that the province's and his name not be disclosed.

Drug trafficking has been carried out as organized crime in several border provinces, like Mae Hong Son, Phrae and Tak. Both local and national politicians are involved in the trafficking rings.

[Correspondent] How much money do you think has been circulated through drug trafficking?

[Dr. Sangsit] I think about Bt400 billion to Bt500 billion is generated by the five types of illegal businesses each year. This excludes underground lotteries and contraband smuggling.

[Correspondent] How have money-laundering and mafias become involved with politics?

[Dr. Sangsit] It's like a food chain. Money-laundering and drug trafficking rings cannot stand on their own: they must depend on the mechanism and power of the state. That is, they must receive support from police, soldiers and politicians, or try to become politicians themselves. If they can't be politicians, they will support politicians or try to establish relations with politicians.

These criminals become chao pho (godfathers) after receiving protection from the state power, if they themselves have not become state powers. Some may rise to become Cabinet members, while others merely become members of municipalities.

[Correspondent] Why do you think some politicians get elected even though they are not liked by the people?

[Dr. Sangsit] Because they have Bt400-Bt500 billion with which to buy votes. Imagine how much each of them will get for buying votes.

[Correspondent] A thesis by a Thammasat University student named several politicians as chao pho. Do you agree with the thesis, which surveyed the opinions of government officials?

[Dr. Sangsit] The thesis might not be accurate about the names, but it reflected how the people feel. This is an issue of images.

[Correspondent] The thesis also named Prime Minister Banhan Sinlapa-acha as a chao pho in the eyes of government officials. What do you think?

[Dr. Sangsit] The thesis mostly surveyed the opinions of district chiefs and policemen. This showed that district chiefs and police thought chao pho are running the country.

Senate Speaker Sees Future Eradication of Drugs

*BK0311062095 Bangkok THAILAND TIMES
in English 3 Nov 95 p A3*

[Unattributed report]

[FBIS Transcribed Text] Bangkok: Thailand cannot stop other countries from using it as a route to convey illegal drugs as Thailand shares borders with many countries, said Senate Speaker Michai Ruchuphan yesterday.

Michai discussed the drug issue with the Colombian Ambassador at the Non-Aligned Movement (NAM) summit last month.

Thailand is not the only country facing drug allegations, Michai said, adding that he firmly believed that the Thai government would succeed in eradicating drug production within Thailand.

The Colombian Ambassador told Michai that drugs are one of the most important problems for both the countries which produce the drugs and the countries which consume them.

Michai quoted the ambassador as saying the United Nations should lend a hand in tackling the problem, not just allow any single nation to issue orders and propose solutions.

"It is unreasonable to force every country to introduce the same laws, since each nation has different social and economic limitations," Michai said, in agreement with the Colombian Ambassador.

Michai also expressed concern about the need for the proposed anti-money-laundering bill to be very carefully considered.

"The government should consider the matter carefully, as the bill, if it were passed, would probably cause problems for a lot of people," he said.

Bank Governor: No New Inflation Measures Needed

*BK0411083995 Bangkok BANGKOK POST
in English 3 Nov 95 p 15*

[Report by Somphon Thapanachai, Butsaba Siwasombun]

[FBIS Transcribed Text] With prices rising only marginally in October, monetary authorities will not take steps to contain inflation for at least three months, according to the governor of the Bank of Thailand.

Wichit Suphinit gave the assurance after rumours spread across the stock trading floor that inflation had risen in October to 6.8 percent year-on-year sending the SET index reeling.

But Mr. Wichit said inflation for the year from January-October stood at 5.5 percent, compared with 5.4 percent for the nine months through September. The slight increase mainly reflected damage to crops from flooding, he said.

"We can't take any measures to deal with the food price problem. The Commerce Ministry is taking care of that."

He believes food prices will fall after output from new plantations arrives on the market. The output from the second rice crop, for example, will be much improved, and overall rice output for the whole 1995-96 season will be better than that of the preceding year.

Non-food prices have been coming down since July, indicating that spending by consumers has been slowing down.

Expansion of credit extension by banks in the form of baht during the past 10 months was also within the 24.5 percent limit, indicating that the central bank's measures to control short-term fund inflow and lending to non-productive sectors had been a success.

"That means we do not have to impose any new measures for now," Mr. Wichit said.

He added that most of the economic indicators so far had been satisfactory, particularly the figure for the current-account deficit in September of 19 billion baht, the lowest in the past 12 months.

Commerce Minister Chuchip Hansawat also said the Consumer Price Index for the first 10 months of this year was 5.5 percent, compared with the same period last year.

He said the index in October compared with September increased by 0.8 percent because prices of vegetables, fruit and rice had increased due to floods but he declined to give detailed figures.

Mr. Chuchip said he gave only two figures because they were the important ones, indicating the whole economic situation for the use of the private sector. He would not give the figures in detail because these, he said, were not necessary.

A ministry source said the index for the food and beverage sector rose 7.6 percent in the first ten months of this year over last year and the index for non-food items increased 4.2 percent in the same period.

Mr. Chuchip said it was expected that the index in November would still be high because of the floods, but the figure might decline in December because farmers would bring some fresh vegetables to market, so prices should fall.

He said the prices of some construction materials such as red bricks, nails, sand and marble had increased because of greater demand.

The ministry has organised many projects to reduce living costs, such as the sale of cheap products under the "Blue Flag" project, and requests for cooperation from manufacturers of industrial products to freeze prices of the products, especially consumer goods.

In a related development, the Internal Trade Department is to cooperate with the Bangkok Metropolitan Authority in organising sales of cheap pork, chicken and eggs at Chatuchack Market on weekends.

Deputy Commerce Minister Montri Danphaibun said his officials had reported on the wholesale prices of vegetables at Pak Khlong Market and found that they were not too high.

But he found that the retail prices in provincial markets of these vegetables had doubled, as many of the retailers cited high transportation costs.

Mr. Montri said the situation would improve soon, as the Bank for Agriculture and Agricultural Cooperatives had provided a credit line for farmers to plant vegetables in the North. The products were likely to come onto the market next month.

Amnuai Paints 'Rosy Picture' of Economy

*BK0411110995 Bangkok BANGKOK POST
in English 4 Nov 95 p 15*

[Unattributed report]

[FBIS Transcribed Text] Deputy Prime Minister Amnuai Wirawan yesterday painted a rosy picture of the economy, saying that all signs pointed to healthy and stable growth.

Inflation is manageable, export growth satisfactory and foreign investors remain confident in Thailand's investment atmosphere, Dr Amnuai told a news conference at which Prime Minister Banhan Sinlapa-acha and his senior ministers boasted of their achievements since taking office three months ago.

Dr Amnuai said economic growth remained in the 8.5-8.6% range, slightly above the target, while inflation is running at 5.5% — more than the 5% target set in the Seventh National Economic and Social Development Plan.

Although the 5.5% rate looks high, it is not serious and can be managed by the Government, he said.

He attributed the stable economy to monetary and fiscal measures including high interest rates and curbs on

credit extension designed to keep the inflation rate under control.

Exports continue to play a significant role in economic growth, with an increase of about 20% to 1.36 trillion baht expected this year.

Industrial production rose by 12% in the past nine months, and in the farming sector, production was up 4%, he said. Tourism investment is up 20%, while investment in the farming sector has increased by 15.5%, higher than the Seventh Plan targets.

The country's balance of payments was rising at a satisfactory level and international reserves stood at US\$36 billion, equivalent to 6.6 months of imports.

Although the current-account deficit remained high due to high spending on imported capital goods for business expansion, Dr Amnuai offered assurances that it could be kept to 6.3% of GDP.

Foreign investors remain confident in Thailand's investment atmosphere, he said, pointing to the increase of applications for Board of Investment promotional privileges. These rose by 118% from July through October, compared with the same four-month period last year. Investment projects approved increased by 86% in the same period.

On the international economic front, Dr Amnuai said Thailand continues to promote strengthened cooperation in trade among members of ASEAN. Thailand will try to push for more clarity in the ASEAN Free Trade Area agreement, he said.

Thailand's exports to ASEAN are up by 18.4%, to the United States by 17.5%, to the European Union by 15% and to Japan by 11%, he said.

At the ASEAN summit next month in Bangkok Thailand will urge ASEAN countries to move faster on implementing some tariff cuts to increase trade, he said.

The Government will try all measures, including monetary and financial policy, to prevent the economy from overheating, Dr Amnuai said. This might mean some sacrifices in the form of slower economic growth — but such a slowdown is not a recession, he said.

Under the Eighth Plan, annual economic growth from 1997-2001 will be kept at 8% instead of 8.2% as stated in the Seventh Plan.

"Eight per cent growth is seen as more stable and will help avert inflation and reduce the current-account deficit," said Dr Amnuai.

While foreigners have been net sellers on the Stock Exchange of Thailand all week, this is not a reflection

of concern over Thai politics, said the research director of a securities firm.

Foreigners have been net sellers in Malaysia and the Philippines as well.

Foreign investors are concerned about overheating of the economy, said the analyst. "But the Banhan Government cannot be blamed for overheating, inflation or the current-account deficit as these were in place before the elections," he said.

The economy is slowing for three reasons: the Bank of Thailand's policies, flooding and political uncertainty that has delayed economic decisions by individuals and corporations. Therefore, the investment index is down and loan growth is slowing, he explained.

Failure To Protect Conservationists, Trees Noted

*BK0311133095 Bangkok BANGKOK POST
in English 1 Nov 95 pp 32,38*

[Report by Thatsani Wetphongs: "A Deadly Mission"]

[FBIS Transcribed Text] Gunshots echoed through the still night in a southern village early last month, and another unsung hero fell as silently, and as insignificantly, as a dead leaf.

Forest conservationist Winai Chuntamano 36, was shot dead by a group of illegal loggers on October 3, leaving his family to struggle on their own and plunging his village into deep fear.

Despite the media brouhaha surrounding environmental awareness, the gunshots at Ban Nam Ra village in Satun Province's Khuan Kalong District were not loud enough to win even a single paragraph in national newspapers. Such deaths, it seems, are no longer news.

Winai is just another victim in a long list of local conservationists who have been exterminated by powerful business interests that thrive on the illegal exploitation of nature.

In August, Prawian Bunnak, a villager from Wang Saphung District in Loei Province, was slain for leading public protests against quarries that polluted villagers' air and threatened their health.

Despite an uproar from the Assembly of Small-Scale Farmers for the Northeast, the suspect — a powerful quarry owner who has close connections to people in high places — was released.

Winai, an assistant village headman, set up a team of forest guards to prevent illegal loggers from passing through his village, which is the only gateway to a vast and priceless forest that covers more than 100,000 rai.

The richly diverse jungle includes several types of forest, ranging from swamp forests in low-lying areas to plateau forests on higher ground, to rain-catchment forests on the mountains.

Winai's work included setting up a checkpoint on the main road leading to the village and the forest beyond, and reporting illegal logging activities to district officers.

Winai himself knew that his mission to save his community forest could lead him to a tragic end. He had even talked about it with his friends the night before he was killed.

"He knew full well that he risked being killed, because he was just a small villager without any protection. But he insisted that he had to carry on with his activities because he felt it was his duty," says Winai's wife Tapthip, who has been left with three children, a small piece of land, and 5,000 baht in debt.

"I just wish my husband were still with me," adds the haggard woman while busily drying a row of rubber sheets on an iron rod. Her daughter, watching her mother doing the work her father once did, tries to lend a helping hand by baby-sitting her younger sister, who cries continuously. A few metres away from their shack is the skeleton of a concrete house, which Winai started building but did not have a chance to finish.

The deaths of local conservationists like Prawian Bunnak and Winai Chuntamano reflect the inefficiency of government officials responsible for protecting the environment, and the people who protect it.

"It shows officials' negligence in enforcing the law," comments environmentalist Assoc. Prof. Nitthi Ritthiphonphun of Prince of Songkla University.

"If officials did their jobs, villagers wouldn't have to depend on their own leaders to bear the responsibility and risk of protecting their community forests."

More than 1.2 million families now live in areas defined by the Forestry Department as forested land. According to the law, they are encroachers and must be relocated.

Threats of relocation, and a Forestry Department plan to lease these areas for large-scale commercial plantation, have resulted in a string of violent conflicts between villagers and officials nationwide.

As a solution to the conflicts, environmentalists and villagers have been calling for official endorsement of community forests, and of the right of villagers to remain there and take part in forest conservation, reforestation, and land management.

Community forests have become the centre of a grassroots democracy movement that pushes for people's right to manage their own natural resources.

These community forest movements, however, find themselves cornered by two enemies: state officials and the illegal logging trade.

The government can arrest them for forest encroachment or for "instigating public disorder". Usually, time-consuming and costly court procedures discourage village leaders from pleading their cases, and many have been bribed to stop their conservation activities.

Those who choose to fight, then, must do so on their own. Like Winai, many have been killed for standing in the way of illegal loggers.

"Winai was a very determined and responsible man. He knew that his family and his community could survive only if the land was fertile and the forest protected. That was why he was willing to risk his life," says Yongyut Thanomsimongkhon, an assistant district officer in Winai's district of Khuan Kalong.

The Forestry Department announced about three years ago that parts of Khuan Kalong District, including Ban Nam Ra, were to be declared a national forest area. For the residents of Ban Nam Ra, as it meant the threat of relocation and loss of their land.

They decided to set up a village committee, and agreed to launch their forest conservation movement in earnest so that they could earn the right to continue their lives there.

Says Prathip Chongsupham, a Khuan Kalong district officer: "The villagers volunteered to protect the forest themselves, a duty which officially belongs to government officials.

"They knew from experience that they couldn't trust officials. They wanted to take a more active role in forest protection, to prove that they could guard the land effectively."

But a successful community forest project depends on several factors, he says. Cooperation between locals and governmental officials is crucial, as is support from non-governmental organisations for the villagers' efforts.

Incidentally, the failure of Thailand's first community forest protection project in Huai Kaeo, Chiang Mai — which was sanctioned by the Forestry Department — resulted from a lack of support from the agency itself.

The Huai Kaeo villagers fought a government concession of their forest land to a Chiang Mai millionaire, who planned to turn it into a fruit plantation and mountain resort. Following the death of one of the village

leaders and a media uproar, the Forestry Department allowed the villagers to remain there, but without providing any money or personnel to assist them in forest protection. The villagers' consequent failure to curb poaching in the area was later used by Forestry Department officials as proof of their inability to protect their own forests.

"Cooperation between local residents and officials is essential to effective forest protection," stresses Prathip. "You can't let any one party do the job alone. No one trusts each other. Villagers believe the officials are cutting down trees, while the officials think the same of the villagers."

He says that fewer than ten Forestry Department officials are assigned to protect the Khuan Kalong forest, an area that covers more than 100,000 rai.

"This is an impossible task. The best way to get the job done, then, is to enlist the help of villagers who live in the forest zone."

"They know the area best, and they know who the loggers are."

Although a certain level of cooperation exists between locals and authorities in Ban Nam Ra, Prathip points out that there is still a vacuum of strong leadership — another crucial factor in competent community forest management.

Ban Nam Ra, a community of about 100 households, is a young village. Most of its residents migrated from Songkhla and Phatthalung provinces 20 or 30 years ago. They have not had time, then, to develop a strong sense of community — an effective tool in making villagers respect community rules and regulations.

"There are no respected elders who command respect from all parties in the village," relates Assoc. Prof. Nitthi. "There is no one whose advice is heeded to by all in the community."

Given this situation, Winai faced a tough job when he took a leading role in forest protection two years ago.

Although the majority of villagers were on his side, some disagreed with him — especially those who had been hired by outside businessmen to cut down trees.

According to district officer Prathip, it was this group of villagers — some believe with orders from outside logging interests — who opened fire on Winai after their murder threats had failed to convince him to abandon his forest checkpoint.

"We tried our best to protect him," says assistant district officer Yongyut, who worked closely with Winai against poachers. "We sent volunteers to accompany him. But

we couldn't guarantee his safety a hundred per cent. We couldn't be with him 24 hours a day."

Winai was shot only two days after setting up a 24-hour checkpoint on the village's main road leading to the forest.

He was shot dead shortly after he left the checkpoint to return home for the night. Two of four suspects were arrested and confessed that they murdered Winai because he got in the way of their business. The case is under investigation, and the Governor of Satun has pledged that Winai's death will not be in vain — a promise that will be tested with time.

Despite assurance from the authorities that they will stop illegal logging activities, Ban Nam Ra is gripped with fear; following the death of their leader, a team of local forest guards has disbanded.

They know that although some of the culprits are in jail, others are still roaming free, armed with guns and a willingness to kill.

The villagers are now discussing who will take Winai's place. Two of his longtime partners in forest protection have refused to take the position, with its high risk and paltry salary of 800 baht a month from the district.

They say they don't want to end up dead like Winai.

One of them even asked Tapthip, Winai's widow, if she would be willing to take her husband's old job.

"He must be crazy to ask me that," says Tapthip. For now, her most pressing concern is her family's survival and her children's uncertain future. "My husband said he wanted our daughter to get a good education. He rode her into town on his bike each day so that she could go to school there."

"Who's going to take my daughter to school now? Who's going to help me raise my children? Who's going to protect me and my family?"

Vietnam

Leaders Send Condolences Over Rabin Murder

*BK0611121995 Hanoi Voice of Vietnam Network
in Vietnamese 1100 GMT 6 Nov 95*

[FBIS Translated Text] Upon learning that Israeli Prime Minister Rabin had been murdered, President Le Duc Anh and Prime Minister Vo Van Kiet sent their messages of condolence to Israeli President Weizman and Acting Prime Minister Peres.

Assassination of Israel's Rabin Discussed

*BK0611123995 Hanoi Voice of Vietnam in English
1000 GMT 6 Nov 95*

[Station commentary]

[FBIS Transcribed Text] The world was shocked by the assassination of Israeli Prime Minister Yitzhaq Rabin. Prime Minister Rabin was shot by an Israeli national and passed away at the age of 73 on Sunday. The assassination was part of an alleged scheme to sabotage the peace process in the Middle East. Following is our comment:

Prime Minister Rabin was the first Israeli Prime Minister to be assassinated since the country was created in 1948. Rabin was elected in July 1992. He led his government to reach a historical peace bill with the Palestinians and Jordan. In 1993, he was one of the organizers of the secret talks in Norway with the Palestinians, which laid a foundation for the signing of the historical agreement between Israel and the PLO in Washington on September 13, 1993. He shared the Nobel Peace Prize with Shim'on Peres and Yasir 'Arafat in 1994. Over the past two years, he positively contributed to the conclusion of an agreement on the extension of autonomy to Palestinians on the West Bank of the Jordan River.

The assassination of the Israeli prime minister was not merely a terrorist act against the prime minister himself, but was schemed to prevent the peace process in the Middle East from being carried out. As the news of the assassination spread, there was an immediate outpouring of grief. Chairman Yasir 'Arafat said he was very sad and very shocked by the terrible and awful crime against the great leader of Israel who also was a peacemaker. The United States President Bill Clinton said that Yitzhaq Rabin once risked his life to defend his country, and today he has given his life to bring the lasting peace. For his part, the United Nations Secretary General Butrus Butrus-Ghali denounced the terrible crime and French President Jacques Chirac, as well as the British Prime Minister John Major, expressed shock.

The Israeli Foreign Minister Shim'on Peres, who was appointed acting prime minister, pledged that the peace process would go on, and the world will worry about the consequences of the assassination, hoping the peace process will continue in the region, that brings about a durable peace.

Prime Minister Inspects Hydroelectric Plant Site

*BK0611165395 Hanoi Voice of Vietnam Network
in Vietnamese 1100 GMT 5 Nov 95*

[FBIS Translated Text] Prime Minister Vo Van Kiet made an inspection tour of the site for the Son La Hydroelectric Power Plant on 2 November. Accompanying the prime minister were Le Xuan Trinh, minister and head of the Government Office, and leading cadres from the Vietnam Electric Power General Corporation [VEPGC].

The Son La Hydroelectric Power Plant project is part of the fourth phase of Vietnam's electricity development plan for 2005-2010 to meet the great demands of that period. At present, we can produce 14.5 billion kilowatt hours annually. Over the next 15 years, we must strive to attain an average increase of 3.6 billion kilowatt hour annually. This can be produced by an electric power plant like the Yali Hydroelectric Power Plant, with a capacity of 600 megawatts.

By 2000, the VEPGC will be able to complete the construction of a 1,500 megawatt thermoelectric power plant and the Phu My gas-generated electric power plant with a combined capacity of 1,800 megawatts. Beyond 2005, however, Vietnam's capacity will be short by 4,500-7,500 megawatts, or 24-40 billion kilowatt hours of electricity. It is therefore essential to invest in various strategic electric power projects. The construction of the Son La Hydroelectric Power Plant has proved to be the most effective and realistic. If the construction of this 3,600 megawatt power plant can be completed during the 2005-2010 period, it will produce 14 billion kilowatt hours of electricity annually and will be able to help the Hoa Binh Hydroelectric Power Plant increase its capacity by 378 megawatts, or 3 billion kilowatt hours of electricity. This project will provide 30 percent of the electric power and 35 percent of transmission capacity by 2010. In addition, it will also help raise the water flow in the Red River to 1,200 cubic meters per second during the dry season, thus facilitating cultivation and water transport and also reducing the regular flood level to below 11.5 meters.

The Son La Hydroelectric Power Plant project has been studied by various specialized agencies since the 1970's to map out a general construction plan. The project was approved along with the construction of the Hoa Binh Hydroelectric Power Plant in 1978. The investment project was approved by the Ministry of Energy in 1987 and the economic-technical plan was completed in 1990. The energy sector has completed its report on the feasibility study for submission to the state.

To select the best option and pinpoint the correct site for the project for presentation to the state and the National

Assembly for approval, Prime Minister Vo Van Kiet made an inspection tour of the Ta Bu area in Muong La District, Son La Province. Various leading cadres of the VEPGC and Electricity Construction Corporation No. 1 briefed him on results of their survey over the past few years, which focused on alternative areas with a normal water level of 265 meters and a designed capacity of 3,600 megawatts. They asserted that the Pa Vinh area was selected as the most suitable site for the construction of the concrete dam.

After inspecting the area, the prime minister asked the VEPGC and Electricity Construction Corporation No. 1 to study various options carefully, review all technical features, and survey various aspects of the geological and ecological conditions to come up with the most effective option in the interest of our socioeconomic development.

Prime Minister Vo Van Kiet also met with the ethnic minorities at It Ong Village in Muong La District. Leading cadres of Muong La District and the people of It Ong Village welcomed the party and state's plan to invest and build the country's largest hydroelectric power plant in their locality. They expressed hope for the early construction of the project so that more electricity can be supplied to facilitate national industrialization and modernization and create favorable conditions for socioeconomic development in the northwestern mountain provinces. Prime Minister Vo Van Kiet noted the aspiration of the Son La ethnic minorities for the project and urged the Son La party committee and people to strengthen their unity and heighten their determination to make the fatherland more prosperous and beautiful.

Prime Minister Visits Mountain Provinces

*BK0711152795 Hanoi VNA in English
1308 GMT 7 Nov 95*

[FBIS Transcribed Text] Hanoi VNA Nov. 7—Prime Minister Vo Van Kiet on Nov. 2 and 3 made a tour of northwestern mountain provinces of Son La and Lai Chau.

He was accompanied by Cabinet Minister Le Xuan Trinh, head of the government office.

In Son La, the prime minister called at Son La Prison, visited the construction site of the Son La Cement Plant and the Son La Brick Joint Venture Enterprise, and had working sessions with leading officials of the province.

Secretary of the Party Committee Do Van An and Chairman of the People's Committee Le Binh Thanh of Son La Province informed the prime minister of the province's present socio-economic situation and its

orientations of development in the next five years (1996-2000) and the following years.

P.M. Kiet praised the achievements gained by Son La Province and suggested that the province should further push up the economic mechanism transfer along the direction of agriculture, forestry, industry and tourism service implement industrialization and modernization effectively exploit great potentials of industrial and fruit trees and livestock breeding and develop the processing of farm produce, forestry products, and building materials. In Lai Chau, the prime minister paid tribute to fallen combatants at the A1-Dien Bien Phu Cemetery and called at the Dien Bien Wood Processing Enterprise.

During his working sessions with leading officials of Lai Chau Province on the province's socio-economic situation and its development direction in the future, P.M. Kiet spoke highly of efforts made by the local party and people in their economic development with average growth rate of 10.3 percent per annum (higher than the country's figure) and 310 kg of rice per capita. The province has also reduced the practice of "slash-and-burn" farming and boosted the forest protection and plantation.

He asked the province to focus on transferring economic mechanism, developing forestry industry as well as forming industrial plant and livestock regions, and to continue investing in infrastructural construction, agro-forestry products processing industry and building materials.

Government Issues Decree on New 'Rural' Ministry

*BK0511072895 Hanoi Voice of Vietnam Network
in Vietnamese 1430 GMT 3 Nov 95*

[FBIS Translated Text] On 1 November, the prime minister issued Decree No. 73-CP on the function, power, and organizational mechanism of the Ministry of Agriculture and Rural Development [MARD]. The decree states that the MARD — which was formed by amalgamating the former Ministries of Forestry, Agriculture and Food Industry, and Water Reservation — is accorded with the following functions and authorities:

- Submitting to the government legislative bills, regulations, and legal documents relating to the fields of agriculture, forestry, water reservation, and rural development;
- Issuing official documents under its functions and authority;
- Submitting to the government strategies, general planning, long and medium plans, and organizing guid-

ance and implementation of approved policies on planting, livestock breeding, processing of agricultural and forestry products, and improving production and employment in rural areas; and

— Managing and developing forestry resources, exploiting forestry products, managing water resources, building and exploiting water reservation projects, conducting work for the prevention and control of flash floods and typhoon and protection of dikes, exploiting and developing riverine potentials, and exercising state management over specialized activities and services.

The decree also clearly defines a new mechanism for the MARD. The new mechanism includes six combined departments and some specialized commissions. The specialized commissions of the MARD are the Commission for Forestry Development, the Commission for the Management of Demographic Allocation and the Program of Settled Farming and Settled Life, the Commission for Forestry Control, the Commission for Water Resource and Water Reservation Project Management, the Commission for Flood and Typhoon Control and Dike Management, the Commission for the Protection and Quarantine of Animals and Plants, and the Commission for Agriculture and Forestry Promotion. The prime minister will issue separate decisions for the organization of other ministerial administration organs.

Ho Chi Minh City Assembly Deputy Speaks

BK0311152895 Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 18 Oct 95 pp. 1, 5

["Dissertation" by Truong Tan Sang, Ho Chi Minh City People's Committee chairman and National Assembly deputy, at the National Assembly's eighth session in Hanoi — date not given]

[FBIS Translated Text] First of all, on behalf of the National Assembly deputies group of Ho Chi Minh City I would like to express our support for the government report on the evaluation of the 1995 socioeconomic situation and the main tasks for 1996.

In 1995, the government report pointed out that our economic growth rate reached 9.5 percent, thus raising the average development rate in the past 5 years to 8.2 percent. Another important achievement alongside the development of industry and services is that we have created about one million jobs every year for unemployed people. Prices have been relatively stable in the past few years, but this year we are striving to keep price rises at around 15 percent. Exports increased by 30 percent when compared with 1994. These figures allow us to believe that our country now has the essential basis for the transition to a faster development phase. There are other noteworthy figures in the capital investment

area, where domestic capital equals 73 percent of the total and state investment takes 43 percent. We believe that this is a very important resource for the dynamic development in the next stage.

For the tasks for 1996, we support the targets set up by the government for economic growth rates for 1996 onwards to be at 9 to 10 percent. By the year 2000, 80 percent of rural working-age population will have jobs; the unemployment rate in cities will stay under 5 percent; the import surplus will be reduced; and price rises will remain at around 10 percent.

Herewith, I would like to present some suggestions in the field of finance and budget.

The first issue relates to the demand for a balanced budget. I suggest that in the areas to which we already decided to give preferential treatment, taxation provisions should be stable in order to create confidence among various economic sectors. We should not change the taxes too often, as psychologically that would be unsettling, an undesirable effect for the areas where we want to see important changes in the direction of industrialization and modernization.

The second issue is taxation. Taxation is the major source of the national budget, but not the only one. We fully support the government in the implementation in recent years of measures such as the issuance of government bonds, collection of new fees, and so forth. These are important sources of revenue too. My opinion on this area is that spending must be dependent on actual collected revenue. On development investment policy, we should have ways to ensure growth while checking the widening gap between localities. I suggest that disadvantaged regions should be given priority in investment budget allocations. These budget allocations should be used to create a favorable environment for the development of production and business activities, and should not be treated as subsidized investment. We should continue to give preferential treatment in order to encourage production and business development. Furthermore, I suggest that each locality should have a plan to achieve the goal of expenditure-revenue balance, at least in regular expenditures. For regions with better conditions, the most important task at present is still infrastructure construction. Our national budget has been growing significantly compared with previous years, but the growth still lags behind the demands for economic development and especially with our aspirations of building up major economic regions. That is why we should set up investment development funds for infrastructure construction, and the principles of protection and accumulation of the funds should be respected so that they can be reinvested in later periods.

They are not the revenue source that we should mix with regular annual budget revenue collections, and should not be used to cover regular expenditures.

Another issue that requires our prompt attention is the urgent demand for building up the technological foundation for development in the beginning years of 21st century. That further confirms the important role of the [infrastructure development] funds. We also have to be more resolute in efforts to attract investment, giving out more attractive incentives to domestic investment. We should study the background of the situation in which domestic investment is more likely to pour into trading, even to petty trading activities, rather than into industry. The explanation is quite simple: the profit rate [in industry] is lower than that in trade. We hereby petition the government and the Finance Ministry for immediate modification of the Circular No. 02 and the Decree No. 18/CP. There have actually been problems in the past and the Ho Chi Minh City National Assembly deputies delegation tried to draw more attention to this issue at the previous National Assembly session.

The third issue is that we should be more determined in using domestic privately-mobilized capital in preference to that from overseas. So far we have not effectively mobilized capital from domestic sources.

Regarding the equitization process of state enterprises, though to date not many state enterprises have been turned into share-holding companies, we can say that we have started to mobilize investment capital from sources other than from the state. And the financial situation of those state enterprise-turn-share holding companies have become healthier after the transformation. Based on these results, we agree to the government report delivered in this session, and wish to tender our petition concerning three issues:

1. We should give more authority to local administrations in directing the equitization process. The central government should conduct its management on localities within a fixed legal frame. The division of work should follow the pattern by which the locality directly

carries out the task and the central government inspects it, as that ensures timeliness.

2. On the other hand, we need to understand that the equitization process does not involve only the partial sale or partial transfer of state funds, but rather the expansion of authorized capital of state enterprises thus attracting more investment capital for the enterprises. Ho Chi Minh City is following this direction and has witnessed a positive outcome.

3. The last issue is budget allocation. In addition to giving budget allocation ratios to localities that should be fixed for at least three years, it is essential to clarify spheres of authority for both central and local levels. High centralization creates obstacles to localities, while decentralization of authority without the regulation of law also paves the way for offenses and mistakes. The central government should soon promulgate a law on this matter, as it will help avoid an improvised management style and at the same time mobilize the capital capacity of people from all localities for more contributions to the state budget.

New District of Buon Don Created in Dac Lac

*BK0611100995 Hanoi Voice of Vietnam Network
in Vietnamese 1100 GMT 5 Nov 95*

[FBIS Translated Text] The government has recently authorized Dac Lac Province to establish a new district called Buon Don — the province's 18th district — which is located 50 km from Buon Me Thuot.

The district has 6 villages with a population of over 35,800, made up of various ethnic groups such as E-de, Gia-rai, Mnong, Lao, Khmer, and [low-lander] Vietnamese.

The district occupies an area of over 141,000 square hectares, and its central downtown area is situated by the Srepok River and the Yok Don National Park. Thus, it is very convenient for economic and cultural exchanges among various population groups.

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